

OXFORD METRICS PLC
(FORMERLY OMG PLC)
ANNUAL REPORT AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 SEPTEMBER 2017

COMPANY NO 3998880

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CHAIRMAN'S STATEMENT

Roger Parry

We are pleased to report another strong operating performance over the past financial year. We have delivered, indeed exceeded, our financial goals and the business has also made substantial strategic progress towards the objectives outlined in our five-year plan which we announced in December 2016. As shareholders will know, the plan is simple – to amplify the existing core strengths of our business and, in doing this, achieve our aim of doubling profits and tripling recurring revenue over the five-year period.

'Year One' marked the start of the investment phase of our strategic plan and has seen the Group add new staff to drive international growth and product development, launch a number of new products and invest in new growth opportunities via the acquisition of IMeasureU Limited. Now as we enter FY18, we begin the second phase of our strategic plan – to amplify growth of our recurring revenues and profits.

Group revenue from continuing operations grew 10.7% to £29.2m (FY16: £26.3m) in headline terms and 7.6% at constant currency. Adjusted PBT* from continuing operations was, as predicted, down on last year at £3.9m (FY16: £5.1m) reflecting the investment in business development, product development and back-office infrastructure to accelerate Yotta's strategic plans. The company reports another year of strong cash generation with £9.8m in cash at year-end (FY16: £8.3m), after accounting for payment of the final 2016 dividend of £1.0m (2015: £0.8m) and the initial consideration of £2.0m for the acquisition of IMeasureU. Given the pending disposal of the Surveying business announced in June, £0.6m is expected to be included in the disposal and is disclosed within assets held for sale.

Further, in light of the strong financial performance we are pleased to propose a 20% increase in our final dividend to 1.20p per share (FY16: 1.00p) in line with our progressive dividend policy and aim of average dividend cover of 2.0x, outlined in our five-year plan.

STRATEGIC PROGRESS

We are now one year into our five-year strategic plan "to amplify the core". This carefully considered plan sets out our desire to focus our resources and capital allocation on, firstly, the strategic development of Yotta through growing international reach into new geographical markets and expanding the capabilities of our software, and secondly, strengthening and growing our Vicon business. These organic development plans would be undertaken whilst considering acquisition opportunities for both businesses where there is a strategic rationale to strengthen and leverage our technical and/or market expertise.

I am pleased to report good progress on all fronts. During the year, Yotta focussed on becoming a software and services business. First, this meant the planned disposal of surveying activities, which is expected to complete in the first half of the current financial year. Second, the business developed its international sales channels – Yotta now has the ability to reach customers in 23 countries (FY16: 4). The expansion of our market reach has successfully laid the foundations for the year ahead and has been coupled with Yotta's release of the first modules of Alloy, our next generation Infrastructure Asset Management SaaS solution. The software has been widely acclaimed and, better still, even though it was only available for a single month of the reported period, has registered wins in both the UK and abroad. These wins and others helped Yotta record a strong 22% increase in Annualised Recurring Revenues (ARR) to £4.9m at 30 September 2017 (FY16: £4.0m) from which £4.3m was recognised in the financial year; this is a key metric for the five-year plan and we are pleased to report it is on track.

Turning to Vicon, we have continued to work hard to maintain and extend its global reach. Here the company strengthened its market-leading position with the launch of Shōgun, our software solution for the entertainment segment and, of course, we completed the acquisition of IMeasureU. We believe this acquisition will expand Vicon's addressable market and create a meaningful recurring revenue stream within this already dependable business.

OUTLOOK

Our strategic direction remains unchanged. During this first year of our five-year plan, we have laid the foundations to accelerate Yotta's growth and strengthen Vicon's market position. FY18 marks the start of the second year of our strategic plan to amplify growth of our recurring revenues and profitability. In the year ahead we will seek to restore headline Adjusted PBT* to at least pre-investment levels in Yotta through revenue growth and continued investment. We will continue to consider acquisitions where there is a clear opportunity to strengthen and leverage our existing capabilities.

We enter a new financial year in a solid position with good visibility of the sales pipelines for the year ahead and an improving quality to our revenues. The teams are energised with innovative new products, new resources and new markets to tap. Given that, we start with a good degree of confidence in our prospects for the year ahead.

** Profit Before Tax from continuing operations before Group recharges adjusted for share based payments, amortisation of intangibles arising on acquisition, acquisition related costs, Pimloc and redundancy costs. The statutory equivalents and reconciliation of the adjusted numbers shown in this statement are disclosed in notes 4 and 6.*

STRATEGIC REPORT

OPERATIONAL REVIEW

Nick Bolton, CEO

YOTTA

KPI	Revenue		PBT		Adjusted PBT*	
	FY17	FY16	FY17	FY16	FY17	FY16
Yotta	£6.6m	£5.9m	(£0.4m)	£0.4m	£0.7m	£1.4m

Given the pending disposal of the Yotta Surveying business, the results and commentary reported here now relate exclusively to Yotta software operations.

Yotta reported revenues of £6.6m (FY16: £5.9m), up 12.3% year-on-year. This increase has been achieved through growth in both software and related consulting services. In particular, the annual value of recurring revenues improved by 22% to £4.9m (September 2016: £4.0m) and retention of the growing SaaS customer base improved to 99% (FY16: 92%). Reflecting the planned growth investments over the year, Yotta reported an Adjusted Profit Before Tax* of £0.7m (FY16: £1.4m).

Perhaps the most significant operational achievement was the introduction of Alloy – Yotta’s next generation asset management platform. Shipping in September 2017, Alloy helps infrastructure owners (central and local government, contractors) optimise the maintenance and management of their key infrastructure assets, such as highways, drainage and street lights. The platform is very flexible and can be easily adapted for new geographies by the users themselves. Despite only starting to sell the product a month before year-end, we successfully landed six new licences – three in the UK and three in Australia.

The business created a number of other notable headlines. Firstly, we saw keen interest for our software in adjacent areas such as the waste and environmental services market. The efficient and effective management of waste services remains a key focus for local government and Yotta continues to be a valuable component in delivering such services under ever increasing demands. Yotta’s clearly differentiated software in this area, which includes both cloud and mobile solutions, led to key contract wins at a number of customers, including Slough, the London Borough of Merton, Bristol and Fife. This last deal is especially significant as it represents another win in Scotland, a key target market for the business.

The year also saw our relationship with Highways England deepen. The agency operates, maintains and modernises the Strategic Road Network in England, whilst only 2% of the roads in England by length, it carries a third of all traffic. Highways England first started using Yotta’s strategic asset management SaaS software, Horizons, in 2013 and this year extended its use with the award of a two year extension to the existing engagement. Building on the success of Horizons, Highways England added Yotta’s street-lighting module to their solution as well.

Elsewhere, Horizons had a positive year with notable new business wins at Northamptonshire and Warwickshire and in several London Boroughs. The number of users increased by 20% to 76 (FY16: 63) of which 25% are outside the UK.

Our recently established direct operation in Australia made further progress. In the first half of the year, we added resources in sales and consulting services and one year on from adopting the solution, Horizons’ customer, VicRoads, the State of Victoria’s road and traffic authority, publicly shared the benefits of our innovative software. To crown a key year in the development of Yotta’s Australian business, the first three Alloy orders were from this territory.

Yotta’s Consultancy team had a great year, recording its highest ever level of consulting revenues at £1.7m (FY16: £1.4m) (up 21% year-on-year). The consulting group offer a range of key services covering both technical and operational aspects to running the company’s software. Dorset County Council, an existing user of Horizons, took full advantage of our services to successfully implement a new Code of Practice that introduced a risk approach to highways management.

Yotta Strategy Progress

The strategy at Yotta is to build a much more valuable business by accelerating our product and market development plans. Key to the growth plan is Alloy which represents a new vision for infrastructure asset management software. As such, we have been hiring new development staff to speed up the roll out of our Alloy product vision and building out our international distribution network by adding new channel staff and new distributors.

In this already well established software market, Alloy represents a new, modern vision for infrastructure assessment management. Currently existing legacy vendors provide highly fragmented solutions, often based on the local requirements of the particular geographical market they serve. As a result, vendors find it hard to expand beyond their native country.

Alloy represents an alternative approach. The software runs exclusively in the cloud, has been written to be multi-language and is fully customisable. We believe with the shift towards the digital management of these assets and services it is possible to build a single suite of products, which can meet the specific needs of each country's marketplace both today and in their digital futures. Alloy is the connected asset management platform for the digital future.

In September 2017 we shipped our first two Alloy modules, Core Assets and Street Lighting, and more features and modules are in development. Our international channel presence was expanded in FY17 to 5 distributors (FY16: 2), expanding Yotta's reach into 23 countries (FY16: 4) achieving a key objective of the 5 year Strategic Plan. We will continue through FY18 to establish a presence in territories that suit our products' strengths. In all but the UK, Australia and New Zealand, where we have direct operations, distribution is via non-exclusive third-party organisations, all of which have established positions in their local infrastructure asset management markets.

Building on this strong organic growth platform, we are constantly looking at acquisitions which can amplify the strengths of Yotta's existing plans and approach. All-in-all, 2016-17 provides a great foundation and as we enter 2017-18 Yotta is well positioned to deliver its part in our five-year plan. Alloy's first modules are in market and in use, our international distribution system is broader than ever before and we have a clear vision for its future.

VICON

KPI	Revenue		PBT		Adjusted PBT*	
	FY17	FY16	FY17	FY16	FY17	FY16
Vicon	£22.5m	£20.4m	£3.8m	£4.5m	£5.6m	£5.9m

Vicon also had a positive year reporting a record level of revenues on both a headline and a constant currency basis. Vicon revenues were £22.5m (FY16: £20.4m), up 10.3% on a headline basis and 6.3% at constant currency. Vicon reported an Adjusted PBT* of £5.6m (FY16: £5.9m). Grant Income of £0.1m (FY16: £1.0m) was significantly lower than the exceptional amount of the previous year which accounts for the decline in Adjusted PBT*, though this was nearly mitigated by lower associated costs and improved product gross margin performance 73.2% (FY16: 72.0%), reflecting ongoing supply chain initiatives and a favourable product mix. The overall performance did benefit from movements in foreign exchange rates compared to last year, which is discussed further in the Financial Review section.

Over recent years Vicon has focussed on broadening its product portfolio to increase our relevance to our marketplaces and customers, and grow the Total Addressable Market (TAM) of our solutions. The company continued to achieve this through both organic and inorganic activity during 2016-17.

Turning first to organic expansion, Vicon introduced three new products to the market:

- **Vicon Vertex** is a new type of measurement system which enables tracking in small environments where there is very little room for siting traditional measurement apparatus. This flexible but diminutive measurement system is of particular use in automotive, life sciences and, perhaps most importantly, in Virtual Reality (VR) applications – a growing area of our business.
- **Cara Lite** is a new lighter weight version of the Vicon Cara head-mounted facial capture system. It can operate with one or two sensors, delivering a more flexible system, which can be set up more rapidly.
- **Vicon Shogun**, is our first new software to the film and video game market since 2007. The goal of the product is to significantly improve our users' ability to capture and process animations, enhancing the quality and sophistication of the films, games and TV shows they go on to produce, whilst reducing production costs.

In addition to these organically-driven product range expansions, Vicon acquired IMeasureU, the Inertial Measurement Unit (IMU) tracking pioneer, in June 2017. Based in Auckland, New Zealand, the company has developed wearable IMU motion sensors combined with proprietary software to provide high fidelity movement and workload data. These wearable sensors are lightweight and small, about the size of a £2 coin, and are attached directly to a subject, enabling researchers to monitor and manage that subject's performance and assist in their recovery following injury. While the sensors do not offer the same positional accuracy as a Vicon optical measurement system, no additional external apparatus is required.

Expanding Vicon's product range in previous years has proven a successful approach to sales growth. As an example of this the Vicon Vero system, released in June 2016, was the best-selling Vicon system over the past year, achieving 36% year-on-year growth for this important mid-market segment.

Lastly, a Vicon update would be incomplete without reference to its work in blockbuster movies. This year, amongst other releases, Vicon customer, Framestore, was acclaimed for its work on sequel movie, Kingsman: Golden Circle. Using a 16-sensor Vicon system, Framestore was able to create digital doubles for scenes in the film where a large crowd becomes

trapped in a football stadium. The film has been well received across the world, hitting the number one spot in box office takings in a range of countries, including breaking a box office record in its opening weekend in South Korea.

Vicon Strategy Progress

The key strategic development in 2017 was the acquisition IMeasureU. The decision to acquire IMeasureU delivers on one of the commitments made under our strategic plan: to invest in Vicon as a profitable market leader and improve our product offering. The addition has opened up a route for Vicon to apply motion measurement in almost any environment and at a relatively low cost. IMeasureU's IMU sensors are a natural extension of the Vicon product suite and the combination accelerates Vicon's product roadmap and brings forward product release plans in this growing space.

We anticipate the acquisition will drive growth through three principal vectors:

- Expansion of Vicon's Total Addressable Market. The lower price point of the IMU measurement system opens access to a broader marketplace and, because IMU measurement can be used virtually anywhere, a greater range of measurement applications are made possible.
- Cross selling of IMU sensors through Vicon's well-established distribution channels. The IMU sensor is relevant to almost all of Vicon's existing vertical markets, but in particular our 1,200 sports sciences customers.
- Accelerate Vicon's roadmap. IMeasureU offers a unique growth opportunity in elite sports. Here the proposition is to use the IMU sensors to measure and track, on an on-going basis, the limb load a player experiences during training. Our cloud-based SaaS solution, IMU Step, enables coaches to keep track of training load and thus maintain an appropriate training regime especially when the player is recovering from injury. This opportunity is expected to create meaningful recurring revenues.

As we continue to drive the business forward, progress made this year through product innovation and acquisition provides multiple drivers of growth for the year ahead.

CONCLUSION

Operationally it was a strong period for Oxford Metrics as a whole: Yotta transformed into a focussed software and services business, we delivered a record year at Vicon and secured the acquisition of IMeasureU. In addition to the year's tactical operational achievements, strategic gains have also been made, with clear progress made in Year One of the five-year plan.

So with the first year of our five-year plan complete, we enter the second year as a stronger business with stronger growth prospects. We thank all our stakeholders – customers, staff, shareholders and partners – for their contributions in 2017 and we look forward to the progress we can make together into 2018 and beyond.

FINANCIAL REVIEW

David Deacon, CFO

INCOME STATEMENT

The Group reported revenues of £29.2m (FY16: £26.3m) representing a headline improvement of 10.7%. With over a third of the Group's revenues derived from the USA this performance did benefit from a favourable average foreign exchange rate of \$1.27 (FY16: \$1.42). Taking account of this benefit of £0.8m, the underlying revenue growth was still a pleasing 7.6%. From an Adjusted PBT* perspective the benefit was £0.2m (meaning underlying PBT growth was 5.7%) since the Group is naturally hedged through our USA operations and the acquisition of certain components in US dollars.

Gross Profit in percentage terms remained relatively unchanged at 70.5% (FY16: 70.9%) reflecting a slight change in revenue mix but improved year-on-year in real terms from £18.7m to £20.6m.

Reviewing the cost base on the face of the Income Statement:

Sales, Support and Marketing costs increased during the year due to planned investments in Yotta to support the Five-year Strategic Plan and in Vicon Support operations.

Research & Development expensed through the Income Statement decreased during the year though total R&D investment including capitalised R&D of £1.8m (FY16: £1.4m) remained largely unchanged.

The Administration charge has risen year-on-year by £1.6m. The increase reflects higher performance related payments to management, additional IT infrastructure costs in Yotta, additional Quality related costs and increases arising from costs in the US being converted at a lower exchange rate.

The Group has reported Other Operating Income of £0.3m (FY16: £1.0m). Grant Income in Vicon at £0.1m (FY16: £1.0m) was modest this year compared to a rather exceptional FY16 that included the RTDA project funded by Innovate UK. Other Income this year also includes £0.2m relating to the transfer of IP to Pimloc Limited.

Adjusted PBT* for continuing operations of £3.9m (FY16: £5.1m) has been determined after adding back non-cash moving items such as Amortisation of Acquired Intangibles, Share Option charge, Pimloc and Exceptional Items, which in this year includes acquisition costs relating to IMeasureU Limited. The overall decline in Adjusted PBT* is due to the planned investment in Yotta's expansion per the Five-year Strategic Plan and the net impact of lower Grant Income.

The loss from discontinued operations of £2.1m (FY16: £2.4m) includes the £1.6m impairment of Goodwill relating to Data Collection Limited which is included in the Assets held for sale pending disposal of Yotta Surveying and residual costs of £0.2m relating to OMG Life Limited that was discontinued in FY16.

STATEMENT OF FINANCIAL POSITION

Goodwill and Intangibles

The movement in Goodwill and Intangibles relates to the addition of Goodwill arising on the acquisition of IMeasureU Limited of £1.1m. The Goodwill relating to Data Collection Limited of £2.4m was transferred into Assets held for sale and impaired by £1.6m.

The remaining carrying value of Goodwill relating to previous acquisitions of Peak Performance Technologies Inc., Mayrise Systems Limited ('Mayrise') and along with IMeasureU Limited ('IMU') have been reviewed in accordance with IAS 36 and remain unchanged.

Amortisation relating to Mayrise and IMU Acquired Intangibles has been charged to the P&L. This amounts to £0.5m (FY16: £0.4m).

Changes to Intangible Assets includes the addition of acquired IMU Intellectual Property £2.4m, capitalisation of R&D of £1.8m (FY16: £1.4m) and amortisation of development costs £1.3m (FY16: £1.1m).

Property, Plant and Equipment

The increase in Property, plant and equipment relates primarily to the relocation of Vicon (within Oxford) to new premises which offer much improved customer facing and manufacturing facilities. The addition to Leasehold Improvements accounts for £0.8m of the overall increase.

Investments

In October 2016 the Group took a minority shareholding in Pimloc Limited in exchange for IP that was contributed to the venture. The carrying value has been subsequently reduced by our share of post-acquisition losses from Pimloc's first year of trading. The net effect accounts for the movement year on year.

Inventories

The inventory position at the end of the financial year was £3.3m (FY16: £2.7m). Given the pending move of manufacturing to a new facility in October 2017, inventory at the year end was increased temporarily to hedge against any potential disruption that may have arisen during this period of transition.

Trade and other receivables

At the year-end Accounts Receivable stood at £8.7m (FY16: £9.8m). The decline relates largely to the Yotta Surveying business, classified as Assets held for sale which includes £0.8m of Accounts Receivable. The remainder of the overall decrease reflects lower September 2017 revenues compared to the same period last year. In October 2016, the remaining consideration of £1.9m relating to the disposal of 2d3 to Insitu/Boeing in April 2015 was received so Other Receivables have been reduced accordingly.

Current Tax Debtor

The Group pays corporation tax on account in the USA. In the previous year, given the final result and inter-company recharges, it was determined the Group had overpaid. This was refunded in the Financial Year under review.

Current Liabilities

Trade Payables for continuing operations remained largely unchanged at the year-end at £2.4m (FY16: £2.4m). Current liabilities now include the contingent consideration in relation to the acquisition of IMeasureU Limited of £0.3m.

Derivative Financial Liability

In October 2016 the Group received the remaining consideration relating to the disposal of 2d3 to Insitu/Boeing which crystallised this liability associated with hedging arrangements that had been put in place which accounts for the movement.

Current Tax Liabilities

The Group has tax liabilities with UK and USA tax authorities in relation to FY17 trading.

Non-current Liabilities

The year-on-year movement is accounted for by the Contingent Consideration payable in relation to the acquisition of IMeasureU Limited of £0.7m.

STATEMENT OF CASHFLOWS

The Group finished the year with cash of £9.8m (FY16: £8.3m) including £0.6m expected to be included in the disposal of Yotta surveying and disclosed in Assets held for sale. Cash generated from operating activities was £5.6m (FY16: £4.4m). The deployment of this cash included the 2016 Final Dividend of £1.2m, the relocation to new premises £0.8m and the acquisition of IMeasureU Limited for initial consideration of £2.0m.

TAX

The Group tax charge this year was £0.5m (FY16: £0.4m) representing a blended rate of 14.5% (FY16: 7.8%) This increase is largely due to our strong performance in the US this year where the marginal rate of tax (38%) is significantly higher than the UK (19.5%). The level of Group R&D activities in the UK continues to have beneficial effect on the level of corporation tax payable in the UK given the reliefs available. Tax paid in the year was a small credit amount given the overpayment in the US in FY16.

The deferred tax asset remained largely unchanged £0.4m (FY16: £0.3m) as did the Deferred Tax Liability £1.6m (FY16: £1.6m).

SUMMARY

In summary, Oxford Metrics had a most encouraging year and enters the new financial year with a robust Balance Sheet including a strong cash position and no debt.

KEY PERFORMANCE INDICATORS

The Group relies on financial key performance indicators including revenue, profit before tax and adjusted profit before tax (see note 6) to measure the performance of the Group described below. The Group does not use non-financial key performance indicators to measure performance.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the execution of the Group's strategy are subject to a number of risks. The Group monitors these risks on a continual basis through the use of a Risk Register and through market intelligence provided by operational management and determines mitigation plans and actions accordingly. During the financial year under review the risk profile of the Group has not changed significantly. The key business risks affecting the Group's ability to deliver on its strategic objectives are set out below:

Product and technology risk

The Group operates in a complex and competitive technological environment. The business requires continual investment and innovation in its products and services to maintain its competitive position. In order to mitigate this risk the business has invested in product marketing with the objective of focusing research and development with specific measurable aims and goals to meet market needs. The business coordinates each development project with Board monitoring and project management principles in order to mitigate the length of time that products take to enter the market.

Suppliers

The Group sources certain product components which are only available from a small number of specialist suppliers. Disruption to the supply chain could have an adverse effect on the business. Where possible, such risks are mitigated by ensuring ownership of design and intellectual property and maintaining appropriate inventory levels.

Employee Retention

The Group's performance depends largely on its skilled staff. The loss of key individuals and the inability to recruit individuals with the right experience and skills could adversely impact the Group's results. To mitigate these matters, the Group aims to put in place appropriate management structures and provide competitive remuneration, including share options and where possible provide continuing career development for key personnel.

Market

The Group operates in multiple geographical markets so there is a risk that territory and global macro-economic conditions may result in one or more of these markets being adversely affected and the revenues of the business impacted accordingly. However, by virtue of selling in multiple geographical markets the impact of localised economic downturn in one or a number of markets is minimised.

The Group operates in multiple service and product segments with specific risks and uncertainties including:

- Vicon Group

Vicon operates in three distinct areas described below. In mitigation of the risks identified Vicon operates in multiple geographies, through well-established distributors, who provide insight into local markets and an effective defence against competitive activity. Furthermore, Vicon has a well-established and respected brand and through continual innovation maintains a competitive advantage over the competition.

Life Sciences – Our customers are primarily Medical and Educational Institutions funded largely, but not exclusively, by Government which are subject to National budgetary decisions although in many markets these areas of spend are protected to some extent.

Engineering – The majority of our customers are largely commercial organisations whose investment decisions are determined by general macro-economic conditions in their markets so revenues can be affected accordingly. The remaining customers tend to be higher education research establishments whose funding is ultimately controlled by National Budgetary decisions.

Entertainment – Our customers are commercial organisations who produce content for the Film, TV and Video Game market place. Spending in this market tends to be erratic and ultimately driven by consumer demand for content which by virtue of this market place cannot always be guaranteed.

- Yotta Group

Infrastructure (including Highways, Street works and Street lighting) – The majority of our customers are ultimately funded by the UK Government so spending is subject to National Budgetary decisions and priorities. In mitigation, the business secures long-term service contracts and recurring annual support contracts whenever possible.

Financial

The business has outlined its principal financial risks in note 18 to the accounts. These are broadly summarised as foreign currency and credit risks. Typically, a third of the Group's revenues are generated from its US subsidiaries in US dollars, together with some overseas territories which purchase in US dollars and Euros. Changes in exchange rate could have an adverse effect on revenues and profitability of the Group. Where possible the Group aims to mitigate this by making purchases and engaging personnel in local markets.

Non-Financial

The business continually assesses its exposure to non-financial risks. These are broadly summarised as competition, reputation and product related risks. The Board is cognisant of this information when determining business strategy.

Brexit

Since the decision by the UK to leave the European Union the depreciation of Sterling has had an impact on the cost of goods imported. In order to mitigate this risk the supply chain is being actively managed. It is uncertain whether tariffs will be applied to goods exported from the UK into the European Union and the Board are developing plans to minimise any potential impact.

SUMMARY

In summary, Oxford Metrics enters the new financial year with a robust Balance Sheet including a strong cash position and no debt.

On behalf of the Board

Nick Bolton

Chief Executive and Director
5 December 2017

** Profit Before Tax from continuing operations before Group recharges adjusted for share based payments, amortisation of intangibles arising on acquisition, acquisition related costs, Pimloc and redundancy costs. The statutory equivalents and reconciliation of the adjusted numbers shown in this statement are disclosed in notes 4 and 6.*

REPORT OF THE DIRECTORS

The directors present their report together with the audited consolidated and parent Company financial statements for the year ended 30 September 2017.

Business review

Oxford Metrics plc (formerly OMG plc) is a holding Company. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 3 to 9. Its subsidiary undertakings are shown in note 14. The Strategic Report includes details of the market overview; key growth drivers; our business model; strategic objectives; principal risks and uncertainties; key performance indicators and a summary of 2016/17 performance.

Likely future developments

The Group's likely future developments are discussed within the Strategic Report on page 3.

Share capital

The Company has one class of ordinary shares which carry no right to a fixed income. Full details of changes in share capital during the year are shown in note 22 to the financial statements. Details of employee share options are set out in note 23.

Dividends

The directors are proposing a final dividend in respect of the financial year ended 30 September 2017 of 1.20 pence per share which will absorb an estimated £1,477,000 of shareholders' funds. This dividend, if approved, will be paid on 8 March 2018 to shareholders on the register of members at close of business on 15 December 2017.

Research and development

During the year, the Group's continuing operations expensed £3,144,000 (2016: £3,776,000) and discontinued operations expensed £218,000 (2016: £2,186,000) in research costs. In addition, £1,822,000 (2016: £1,360,000) of development costs were capitalised.

Research and development costs are principally the costs of employees involved in research and development, together with related equipment and materials for hardware development and external costs. Further information regarding the nature and value to the Group of this expenditure is explained in the Strategic Report.

Directors and their interests

The interests of the directors in the shares of the Company and their interest in options over the shares of the Company at 30 September 2017 are disclosed in the Report on Directors' Remuneration.

The directors who served during the year were as follows:

Roger Parry
Jonathon Reeve
Adrian Carey
Julian Morris
Nick Bolton
David Deacon
Catherine Robertson

At the Annual General Meeting of the Company, Nick Bolton, David Deacon and Catherine Robertson representing one third of the Board, will retire and, being eligible, offer themselves for re-election.

Financial instruments

Information about the Group's management of financial risk can be found in note 18 of the financial statements.

Directors' indemnity insurance

The directors confirm that qualifying third party indemnity provisions are held that comply with Section 309B under the Companies (Audit, Investigations and Community Enterprise) Act 2004.

Employees

The Group ensures that all employees are kept informed, as far as is practical, with regard to the activities of the Group. This is achieved through the use of staff briefings and electronic communications. It is the Group's aim that recruitment and development of staff should be determined solely on ability and other relevant requirements of the job. Disabled persons and those who become disabled are given the same consideration as others and, depending on their skills, will enjoy the same prospects as other staff.

The Group's policies on Health & Safety are continually under review, ensuring that current practices comply with the laws applicable in the countries in which it operates.

Going concern

After making relevant enquiries, reviewing the cash flow forecasts for the two year period from the 30 September 2017 and considering the Group's risk profile, the directors consider the Group to have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Statement on disclosure of information to auditors

So far as each director is aware, there is no relevant audit information of which the Group's auditors are unaware. Relevant information is defined as "information needed by the Group's auditors in connection with preparing their report".

Each director has taken all the steps (such as making enquiries of other directors and the auditors and any other steps required by the director's duty to exercise due care, skill and diligence) 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 Group's auditors are aware of that information.

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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 Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors

BDO LLP offer themselves for reappointment as auditors and a resolution will be proposed at the AGM to approve the auditors reappointment.

On behalf of the Board

David Deacon

Director

5 December 2017

CORPORATE GOVERNANCE REPORT

Directors' statement on corporate governance

The Board of Directors is accountable to shareholders for the good corporate governance of the Group. Under the AIM rules compliance with the UK Corporate Governance Code ('the Code') is voluntary. Although the Board has not formally adopted the Code, the Board is aware of the best practice defined by the Code and will seek to adopt procedures to instil good governance insofar as is practical and appropriate for a group of its size while retaining its primary focus on the entrepreneurial success of the business. This statement sets out how certain principles of the Code are met through the Group's application of best practice.

Directors

The composition of the Board is set out on page 10. The Board comprises a non-executive Chairman, three additional non-executive directors and three executive directors.

The Board meets bi-monthly and is provided with relevant information on financial, business and corporate matters prior to meetings. The Board has a formal schedule of matters reserved to it and is responsible for overall Group strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant operational and financial matters. The Board has established both an Audit and Remuneration Committee. Given the small size of the Board, it is not considered necessary to constitute a separate Nominations Committee. All members of the Board are fully consulted on the potential appointment of a new director. All directors are subject to re-election every three years.

Steps are taken to ensure that members of the Board develop an understanding of the views of shareholders through the use of trading updates, announcements, annual and interim reports and the AGM.

Accountability and audit

The Audit Committee comprises two of the non-executive directors and meets at least twice annually. The Committee has specific terms of reference which deal with its authority and duties. The Committee oversees the adequacy of the Group's internal controls, accounting policies and financial reporting and provides a forum through which the Group's external auditors report to the Board.

Internal control

There is an ongoing process for identifying, evaluating and managing risk via review of internal controls and these control processes were in place during the year. The Board has overall responsibility for ensuring that the Group maintains systems of internal control to provide it with reasonable assurance regarding the reliability of financial information used within the business and that the assets of the business are safeguarded. It is acknowledged that such systems can only provide reasonable and not absolute assurance against material misstatement or loss. Key areas of internal control are listed below:

- The preparation and review of monthly financial information which provides a comparison to budget and forecast and identifies and explains significant variances and also highlights emerging trends in the business.
- The preparation of an annual budget showing projected revenues, costs, funding requirements and operational targets. The Board is responsible for approving the budget. Forecasts are produced to update the budget for any significant change in Group performance.
- Significant capital expenditure projects, acquisitions, and contracts require Board approval.

REPORT ON DIRECTORS' REMUNERATION

The Directors' Remuneration Report Regulations are not a requirement for AIM listed companies. However, set out below are certain disclosures relating to directors' remuneration.

Remuneration Committee

The Remuneration Committee is made up of two non-executive directors. The terms of reference of the Committee are to review and make recommendations to the Board regarding the terms and conditions of employment of the executive directors.

Service agreements

No director has a service agreement with a notice period that exceeds 12 months.

Policy on directors' remuneration

The remuneration is set by comparison to market rates at levels to attract, retain and motivate the best staff, recognising that they are key to the ongoing success of the business.

Directors' remuneration

The remuneration of directors who served during the year, excluding share based payments, was as follows:

	Salary £'000	Bonus £'000	Benefits in kind £'000	Gains on the exercise of share options £'000	2017 Total £'000	2017 Pension contributions £'000	2016 Total £'000	2016 Pension contributions £'000
A Simonds-Gooding (Retired Chairman)	-	-	-	-	-	-	33	-
R Parry (Chairman)	66	-	-	-	66	-	10	-
J Reeve (Non Executive Director)	33	-	-	-	33	-	33	-
A Carey (Non Executive Director)	33	-	-	-	33	-	33	-
J Morris (Non Executive Director)	33	-	2	-	35	1	126	16
N Bolton (Chief Executive Officer)	247	134	1	-	382	-	973	-
C Robertson (Secretary and Executive Director)	114	37	1	-	152	16	183	14
D Deacon (Chief Finance Officer)	188	77	1	-	266	-	670	-
	714	248	5	-	967	17	2,061	30

Directors' share options

Interests in share options for directors who served during the year were as follows:

	Exercise price	At 30 September 2017 Number	At 1 October 2016 Number	Exercise period
J Reeve	55.94p	-	65,000	August 2009 to August 2017
A Carey	31.18p	77,194	77,194	September 2015 to September 2023
C Robertson	59.06p	400,000	-	September 2019 to July 2027
N Bolton	0.25p	1,208,500	1,208,500	September 2015 to September 2022
N Bolton	0.00p	1,200,000	-	December 2019 to December 2026
D Deacon	0.25p	604,250	604,750	September 2015 to September 2022
D Deacon	0.00p	600,000	-	December 2019 to December 2026
		4,089,944	1,955,444	

The vesting of options, other than the long term incentive plans (LTIPs) described below, takes place proportionally over time which is typically a period of three years. The vesting of options is not subject to any performance criteria, other than remaining in employment.

During the year a new LTIP was implemented with an exercise price of 0.00p. These share options will vest in a quantity subject to the achievement of certain performance targets based on total shareholder returns over the period of 36 consecutive months commencing on 1 January 2016.

OXFORD METRICS PLC (FORMERLY OMG PLC) ANNUAL REPORT 2017

The LTIP implemented in 2012 became due for evaluation on 30 September 2015. As a result 2,417,000 nil-cost share options and 1,208,500 nil-cost share options have duly vested over the two year period ending 30 September 2017 for N Bolton and D Deacon respectively.

The average share price for the year was 51.29 pence (2016: 44.07 pence) and the closing share price was 58.75 pence (2016: 45.71 pence).

Directors' interests

The directors who held office at the end of the financial year had the following beneficial interests in the ordinary share capital of Oxford Metrics plc (formerly OMG plc) at 30 September 2017 and at 1 October 2016 according to the register of directors' interests.

	Ordinary shares of 0.25p		Percentage of issued share capital	
	2017 Number	2016 Number	2017 %	2016 %
R Parry	153,770	100,000	0.12	0.08
J Reeve	36,288	31,475	0.03	0.03
A Carey	200,721	175,658	0.16	0.14
J Morris*	7,054,320	8,119,320	5.73	6.69
C Robertson	1,439,201	1,439,201	1.17	1.19
N Bolton	1,791,246	1,788,746	1.46	1.47
D Deacon	850,661	850,661	0.69	0.70

* On 17 May 2016 Julian Morris transferred his entire shareholding to himself and his wife as the Trustees of The Appleton Trust. The Trust has been established primarily for a class of potential beneficiaries including Julian Morris, his wife and members of their family.

By order of the Remuneration Committee

Jonathon Reeve
Chairman

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OXFORD METRICS PLC

Opinion

We have audited the financial statements of Oxford Metrics plc (the "parent company") and its subsidiaries (the "group") for the year ended 30 September 2017 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated and Company Statement of Financial Position, Consolidated and Company Statement of Cashflows, Consolidated and Company Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We set out below the risks that had the greatest impact on our audit strategy and scope:

Revenue recognition

Risk

The group's revenue recognition policies are included with the accounting policies on pages 27 and 28 and the components of revenue are set out in notes 3 and 4.

The group's revenue is a key performance indicator for the market upon which the results of the group will be assessed. The group primarily generated revenue from continuing activities from two main operating businesses:

- Vicon – which sells motion capture camera systems and related hardware, software and support; and,
- Yotta – focussed on the sale of software and associated services. These are sold on a SAAS and perpetual license and maintenance basis.

Management exercises estimation and judgement in recognising revenue as set out in note 3(g) to the financial statements, including the extent of deferral of income relating to ongoing support and maintenance obligations in Vicon.

In view of the judgements involved we considered that these matters gave rise to a significant risk of misstatement in the financial statements. Significant risks over revenue recognition include:

- Incorrect calculation and appropriate judgement in the estimation of support revenues to be deferred; and
- Completeness of revenue and ensuring that revenue is recorded in the accounting system in the correct period.

Response

We reviewed the revenue recognition policies applied to each of the group's revenue streams and considered its compliance with IAS18 'Revenue'.

We audited a sample of revenue transactions for each material income stream to check the completeness of revenue and that it was accurately recorded within the accounting system in the correct accounting period.

We tested deferred revenue by re-performing calculations for a sample of deferred balances. We reviewed management's assumptions relating to appropriate revenue deferral for support contracts.

Based on the results of our work we concurred with management's assessment that the group's revenue recognition policies comply with the accounting standards and that they are correctly applied.

Development expenditure capitalisation and carrying value

Risk

The group incurs substantial development costs of which certain amounts are capitalised as intangible assets. Development costs of £1,822k (2016: £1,360k) were capitalised in the year across various key projects.

Capitalised development expenditure is amortised over a period of 3 to 7 years, which is based on the expected lifecycle of the product developed.

Development costs are a significant expense and asset of the group. Manipulation of those costs capitalised could have a material impact on the profit performance of the group in the current year and going forward.

The group's policy is included with the accounting policies on pages 28 and 29 and the significant judgements are set out in note 3.

Management exercises judgement in consideration of individual projects, including the expected future economic benefits, the allocation of resources and the period over which they anticipate return.

In view of the judgements involved we considered that these matters gave rise to a significant risk of misstatement in the financial statements.

Risks over existence, accuracy and valuation of capitalised development costs include:

- Overstatement of the balance as a result of including expenditure amounts which do not meet the criteria for capitalisation under IAS 38;
- Existence of costs captured within the timecard system and subsequently capitalised;
- Projects no longer meeting the criteria for capitalisation and the potential for impairment; and
- Inaccurate periods for useful economic life leading to errors in the amortisation charge.

Response

We reviewed the policies and procedures regarding research and development expenditure and considered their compliance with the requirements of IFRSs.

For each significant development project, we:

- audited a sample of expenditure to third party documentation and timecard records;
- reviewed management's assessment by project and challenged their assumptions at the balance sheet date; and
- evaluated management's use of updated sales forecasts by project, where available, in consideration of useful economic life.

We also reviewed management's impairment considerations by development project where necessary, which included assessment of the reasonableness of key assumptions.

Based on the results of our work we concurred with management's accounting for the capitalisation and assessment of carrying values of development expenditure and that it was in accordance with the accounting standards.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower level, "performance materiality", to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

The materiality for the group financial statements as a whole was set at £300,000 (2016: £300,000). This was determined with reference to the group's revenue. Revenue is considered the most appropriate measure in assessing the performance of the group given the historical profile of the group's profit before tax. Performance materiality was set at 75% of the group materiality level.

Where financial information from components was audited separately, component materiality was set for this purpose at lower levels, varying between 3% and 83% of group materiality.

We agreed with the Audit Committee that we would report to the committee all individual audit differences in excess of £15,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group comprised the parent company and 7 trading subsidiaries, Vicon Motion Systems Limited, Vicon Motion Systems Inc, Yotta Limited, Yotta Surveying Limited, Yotta Pty Ltd, OMG Life Ltd, IMeasureU Limited, and 5 dormant companies.

Full scope audits of the four UK based trading subsidiaries were performed by BDO LLP.

Vicon Motion Systems Inc is based in Denver, in the United States of America and, as a significant component of the group, a full scope audit was performed by a member of the BDO US Alliance network. Yotta Pty Limited, IMeasureU Limited and the 5 dormant companies were not subject to audit as they are not significant to the group.

The group audit team was actively involved in directing the audit strategy of the component auditor in Denver and a key member of the group audit team visited local management and the auditors of the operations in Denver during the audit fieldwork. The group audit team reviewed in detail the findings of work performed and considered the impact of these upon the group audit opinion.

There have been no significant changes in scope since the prior year.

Other information

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

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 11, 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

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.

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 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Christopher Pooles (*Senior Statutory Auditor*)
For and on behalf of BDO LLP, Statutory Auditor
Reading
United Kingdom

5 December 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Note	2017 £'000	2016 £'000
Revenue	4	29,155	26,327
Cost of sales		(8,599)	(7,651)
Gross profit		20,556	18,676
Sales, support and marketing costs		(6,753)	(5,136)
Research and development costs		(3,144)	(3,776)
Administrative expenses		(7,231)	(5,679)
Other operating income	5	297	990
Operating profit		3,725	5,075
Finance income		29	45
Share of post-tax loss of equity accounted associate		(87)	-
Profit before taxation		3,667	5,120
Taxation	8	(533)	(400)
Profit from continuing operations		3,134	4,720
Loss from discontinued operations, net of tax	10	(2,127)	(2,449)
Profit attributable to owners of the parent during the year	5	1,007	2,271
Earnings per share for profit on continuing operations attributable to owners of the parent during the year			
Basic earnings per ordinary share (pence)	9	2.55p	3.92p
Diluted earnings per ordinary share (pence)	9	2.49p	3.87p
Earnings per share for profit on total operations attributable to owners of the parent during the year			
Basic earnings per ordinary share (pence)	9	0.82p	1.89p
Diluted earnings per ordinary share (pence)	9	0.80p	1.86p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Group 2017 £'000	Group 2016 £'000
Net profit for the year	1,007	2,271
Other comprehensive income		
<i>Items that will or may be reclassified to profit or loss</i>		
Exchange differences on retranslation of overseas subsidiaries	(208)	224
Loss on hedging instrument	-	(158)
Recycling of hedging instrument	158	-
Total other comprehensive (expense)/income	(50)	66
Total comprehensive income for the year attributable to owners of the parent	957	2,337

Total comprehensive income for 2016 has been restated to remove tax recognised directly in equity which was incorrectly included in the prior year.

The notes on pages 26 to 64 are an integral part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

COMPANY NUMBER: 3998880	Note	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Non-current assets					
Goodwill and intangible assets	11	12,069	11,086	-	-
Property, plant and equipment	13	1,948	787	37	39
Financial asset - investments	14	232	69	14,227	14,409
Deferred consideration receivable	10	-	113	-	-
Deferred tax asset	19	377	311	232	146
		14,626	12,366	14,496	14,594
Current assets					
Inventories	15	3,330	2,704	-	-
Trade and other receivables	16	9,992	13,919	11,281	11,588
Current tax debtor		-	453	-	-
Cash and cash equivalents		9,185	8,273	2,698	3,309
		22,507	25,349	13,979	14,897
Assets classified as held for sale	25	3,047	-	1,000	-
Current liabilities					
Trade and other payables	17	(9,086)	(8,582)	(7,193)	(5,509)
Derivative financial liability	18	-	(158)	-	(158)
Current tax liabilities		(408)	-	-	-
		(9,494)	(8,740)	(7,193)	(5,667)
Liabilities directly associated with assets classified as held for sale	25	(584)	-	-	-
Net current assets		15,476	16,609	7,786	9,230
Total assets less current liabilities		30,102	28,975	22,282	23,824
Non-current liabilities					
Other liabilities	20	(1,003)	(321)	-	-
Provisions	21	(185)	(185)	-	-
Deferred tax liability	19	(1,619)	(1,640)	-	-
		(2,807)	(2,146)	-	-
Net assets		27,295	26,829	22,282	23,824
Capital and reserves attributable to owners of the parent					
Share capital	22	308	303	308	303
Shares to be issued	24	65	65	65	65
Share premium account	24	17,302	16,834	17,302	16,834
Retained earnings	24	9,549	9,506	4,688	6,902
Cash flow hedging reserve	24	-	(158)	-	(158)
Foreign currency translation reserve	24	71	279	(81)	(122)
Total equity shareholders' funds		27,295	26,829	22,282	23,824

The loss of the Company for the year ended 30 September 2017 was £1,173,000 (30 September 2016: £911,000).

The financial statements on pages 21 to 64 were approved and authorised for issue by the Board of Directors on 5 December 2017 and signed on its behalf by

Nick Bolton
Director

David Deacon
Director

The notes on pages 26 to 64 are an integral part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Note	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Cash flows from operating activities					
Operating profit/(loss) from continuing operations		3,725	5,075	(5,964)	(659)
Operating loss from discontinued operations		(2,139)	(2,747)	-	-
Group operating profit/(loss)		1,586	2,328	(5,964)	(659)
Depreciation and amortisation		2,166	2,016	24	28
Impairment of intangibles		1,630	1,634	-	-
Impairment of investment		-	-	6,558	-
(Profit)/loss on the sale of property, plant and equipment		(39)	9	-	-
Profit on sale of intellectual property to associate undertaking		(208)	-	(208)	-
Share-based payments		142	103	119	64
Exchange adjustments		(360)	(147)	40	(465)
Increase in inventories		(640)	(674)	-	-
Decrease/(increase) in receivables		664	(1,950)	(1,902)	8,584
Increase in payables		655	1,088	1,482	353
Cash generated from operating activities		5,596	4,407	149	7,905
Tax received/(paid)		18	(1,301)	-	-
Net cash from operating activities		5,614	3,106	149	7,905
Cash flows from investing activities					
Purchase of property, plant and equipment		(1,680)	(526)	(22)	(37)
Purchase of intangible assets		(1,822)	(1,425)	-	-
Proceeds on disposal of property, plant and equipment		55	122	-	-
Interest received		29	45	13	22
Proceeds on disposal of subsidiary undertakings		2,109	-	-	-
Acquisition of subsidiary undertaking net of cash acquired	26	(2,042)	-	-	-
Net cash used in investing activities		(3,351)	(1,784)	(9)	(15)
Cash flows from financing activities					
Issue of ordinary shares		473	517	473	517
Equity dividends paid	32	(1,224)	(5,304)	(1,224)	(5,304)
Net cash used in financing activities		(751)	(4,787)	(751)	(4,787)
Net increase/(decrease) in cash and cash equivalents		1,512	(3,465)	(611)	3,103
Cash and cash equivalents at beginning of the period		8,273	11,738	3,309	206
Cash and cash equivalents at end of the period		9,785	8,273	2,698	3,309
Amount included in cash and cash equivalents		9,185	8,273	2,698	3,309
Amount included in assets classified as held for sale		600	-	-	-
Total cash and cash equivalents at end of the period		9,785	8,273	2,698	3,309

The notes on pages 26 to 64 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2017

Group	Share capital £'000	Shares to be issued £'000	Share premium account £'000	Retained earnings £'000	Cash flow hedging reserve £'000	Foreign currency translation reserve £'000	Total £'000
Balance as at 1 October 2015	294	65	16,326	12,315	-	55	29,055
Net profit for the year	-	-	-	2,271	-	-	2,271
Exchange differences on retranslation of overseas subsidiaries	-	-	-	-	-	224	224
Loss on hedging instrument	-	-	-	-	(158)	-	(158)
Tax recognised directly in equity	-	-	-	121	-	-	121
Transactions with owners:							
Dividends	-	-	-	(5,304)	-	-	(5,304)
Issue of share capital	9	-	508	-	-	-	517
Share based payment charge	-	-	-	103	-	-	103
Balance as at 30 September 2016	303	65	16,834	9,506	(158)	279	26,829
Net profit for the year	-	-	-	1,007	-	-	1,007
Exchange differences on retranslation of overseas subsidiaries	-	-	-	-	-	(208)	(208)
Recycling of hedging instrument	-	-	-	-	158	-	158
Tax recognised directly in equity	-	-	-	118	-	-	118
Transactions with owners:							
Dividends	-	-	-	(1,224)	-	-	(1,224)
Issue of share capital	5	-	468	-	-	-	473
Share based payment charge	-	-	-	142	-	-	142
Balance as at 30 September 2017	308	65	17,302	9,549	-	71	27,295

The notes on pages 26 to 64 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2017

Company	Share capital £'000	Shares to be issued £'000	Share premium account £'000	Retained earnings £'000	Cash flow hedging reserve £'000	Foreign currency translation reserve £'000	Total £'000
Balance as at 1 October 2015	294	65	16,326	12,967	-	128	29,780
Net loss for the year	-	-	-	(911)	-	-	(911)
Exchange differences on retranslation of overseas subsidiaries	-	-	-	-	-	(250)	(250)
Loss on hedging instrument	-	-	-	-	(158)	-	(158)
Tax recognised directly in equity	-	-	-	86	-	-	86
Transactions with owners:							
Dividends	-	-	-	(5,304)	-	-	(5,304)
Issue of share capital	9	-	508	-	-	-	517
Share based payment charge	-	-	-	64	-	-	64
Balance as at 30 September 2016	303	65	16,834	6,902	(158)	(122)	23,824
Net loss for the year	-	-	-	(1,173)	-	-	(1,173)
Exchange differences on retranslation of overseas subsidiaries	-	-	-	-	-	41	41
Recycling of hedging instrument	-	-	-	-	158	-	158
Tax recognised directly in equity	-	-	-	64	-	-	64
Transactions with owners:							
Dividends	-	-	-	(1,224)	-	-	(1,224)
Issue of share capital	5	-	468	-	-	-	473
Share based payment charge	-	-	-	119	-	-	119
Balance as at 30 September 2017	308	65	17,302	4,688	-	(81)	22,282

The notes on pages 26 to 64 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. Basis of preparation of the financial statements

The consolidated and parent Company financial statements of Oxford Metrics plc (formerly OMG plc) have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies which affect the reported amount of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reported period. Although the estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own income statement in these financial statements.

Changes in accounting standards

International Accounting Standards (IAS/IFRS)

The following amendments to standards have been adopted during the period:

- Amendments to IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'
- Amendments to IAS 1 'Presentation of Financial Statements'
- Amendments to IAS 16 'Property, Plant and Equipment'
- Amendments to IAS 38 'Intangible Assets'

The adoption of the above amendments to standards has not had a material impact on the financial statements during the period ended 30 September 2017.

At the date of authorisation of these financial statements the following standards, amendments to standards and interpretations, which have not been adopted early in these financial statements, were issued by the IASB, but not yet effective:

- IFRS 9 'Financial instruments'
- IFRS 15 'Revenue from contracts with customers'
- IFRS 16 'Leases'
- Amendments to IAS 12 'Recognition of deferred tax assets for unrealised losses'
- Amendments to IAS 7 'Statement of cash flows'
- Amendments to IAS 40 'Transfers of investment property'
- Amendments to IFRS 15 'Revenue from contracts with customers'
- Amendments to IFRS 2 'Share based payments'
- Amendments to IFRS 4 'Insurance contracts'
- Amendments to IFRIC 22 'Foreign currency transactions and advance consideration'
- Amendments to IFRIC 23 'Uncertainty over income tax treatments'
- Annual improvements to IFRS's (2014-2016) cycle

At the date of authorisation of these financial statements, the directors have considered the standards and interpretations which have not been applied in these financial statements that were in issue but not yet effective (and in some cases had not yet been adopted by the EU). The directors consider that IFRS 9 'Financial instruments', IFRS 15 'Revenue from contracts with customers' and IFRS 16 'Leases' are relevant to the Group.

Under IFRS 15 'Revenue from contracts with customers' revenue should be recognised to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled. IFRS 15 also includes specific guidance for multi element arrangements, contract costs and disclosures. The directors are assessing whether the application of IFRS 15, once effective, will have a material impact on the results of the Group and in particular on the way in which revenue from software and support contracts is recognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

Under IFRS 16 'Leases' all leases are accounted for under a single accounting model for the lessee. All leases with a term of more than 12 months will result in the recognition of an asset and liability, unless the underlying asset is of low value, and depreciation of lease assets will be recognised separately from interest on lease liabilities in the income statement. Leases currently designated as operating leases in note 31 will be impacted and the directors are assessing whether the application of IFRS 16, once effective, will have a material impact on the results of the Group.

The directors are also assessing whether the application of IFRS 9, once effective, will have a material impact on the results of the Group.

Adoption of the other standards and interpretations referred to above is not expected to have a material impact on the results of the company. Application of these standards may result in some changes in presentation of information within the Company's financial statements.

2. Accounting policies

The principal accounting policies applied in the preparation of these consolidated and parent Company financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of consolidation

The consolidated financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 30 September 2017.

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any elements of control.

Subsidiary undertakings are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting from the date of acquisition. Inter-company balances and transactions are eliminated on consolidation.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker has been identified as the Board of Directors of Oxford Metrics plc (formerly OMG plc).

Revenue

Revenue represents the fair value of consideration received or receivable arising from the provision of goods and services to third party customers, net of VAT, and trade discounts.

Within Vicon and Yotta revenue is recognised on the delivery of the product or service, with a deferral made for the fair value of the undelivered element under the terms of the sale. This undelivered element relates to ongoing hardware and software support, the fair value of which is calculated by reference to the anticipated cost, plus a margin, of providing the support service and is consistent with the stand alone selling price of this element of the sale. Revenue not recognised in the income statement under this policy is classified as deferred income in the balance sheet. Revenue from services is recognised as the work is performed. Revenue is only recognised where there is appropriate evidence of an arrangement, where the consideration is fixed and determinable and where collectability is reasonably assured.

Within Vicon a small number of sales are made through independent third party distributors. In this instance revenue is recognised on delivery of the product to the distributor. No sales to third party distributors are made on a sale or return basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

Within Yotta, survey contracts are accounted for in accordance with IAS 18, 'Revenue'. Where the outcome of the contract can be estimated reliably, revenue is recognised by reference to the total sales value and the stage of completion of the survey contracts. The Group has adopted the following policy for assessing the stage of completion of these survey contracts, this has been determined with reference to the proportion of total cost incurred;

- 90% of the contract value is recognised based on the number of kilometres surveyed, expressed as a percentage of the total kilometres surveyed; and
- 10% of the contract value is recognised after the survey has been completed and the data delivered to the customer.

The related profit includes results attributable to contracts completed and in progress where a profitable outcome can be prudently foreseen.

Where revenue earned exceeds amounts invoiced it is included within trade and other receivables as amounts due from customers for contract work. Receipts in excess of recognised turnover are included within trade and other payables under payments on account in respect of contract work. The amount of costs incurred on survey contracts, net of amounts transferred to cost of sales is included in long term contract balances within inventories.

Government grants

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and that the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate. Grants received are included within other operating income in the income statement.

Goodwill and intangible assets

Goodwill is carried at cost less any provision for impairment. Intangible assets are valued at cost less amortisation and any provisions for impairment.

Goodwill arising on business combinations (representing the excess of fair value of the consideration given over the fair value of the separable net assets acquired) is capitalised and its subsequent measurement is based on annual impairment reviews, with any impairment losses recognised immediately in the income statement. For business combinations completed after 1 January 2010, direct costs of acquisition are recognised immediately in the income statement as an expense.

The Group has elected to apply IFRS 3, 'Business combinations' prospectively from the date of transition to IFRS and therefore goodwill written off to reserves prior to 1 October 2006 has not been reinstated on transition to IFRS.

Externally acquired intangible assets

Intangible assets are capitalised at cost and amortised to nil by equal annual instalments over their estimated useful economic life.

Intangible assets are recognised on business combinations if they are separable from the acquired entity. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see note 3). The significant intangibles recognised by the Group and their useful economic lives are as follows:

- Brand name over 10 years
- Customer relationships over 8 years
- Intellectual property over 3-10 years

Internally generated intangible assets (research and development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

- It is technically feasible to develop the product for it to be sold;
- Adequate resources are available to complete the development;
- There is an intention to complete and sell the product;
- The Group is able to sell the product;
- Sale of the product will generate future economic benefits; and
- Expenditure on the project can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed, which is estimated to be 3-7 years. The amortisation expense is included within research and development expenses in the consolidated income statement.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated income statement as incurred.

Impairment of non-financial assets (excluding inventories and deferred tax assets)

Impairment tests on goodwill are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; (its cash generating unit). Goodwill is allocated on initial recognition to each of the Group's CGU's that are expected to benefit from the synergies of the combination giving rise to the goodwill.

Impairment charges are included in profit or loss, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rates applicable are:

- | | |
|---------------------------|---|
| • Computers and equipment | 25%-50% |
| • Furniture and fixtures | 20% or 50% |
| • Motor vehicles | 25% |
| • Demonstration equipment | 25% or 50%. Some demonstration equipment held within the Vicon Group is not depreciated as its residual value exceeds its cost. |
| • Leasehold improvements | Over the lower of the life of the asset and the remaining period of the lease. |

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet 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 disposal are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Investments in subsidiaries

Investments are included at cost less provision for impairment.

Inventories

Inventories are stated at the lower of historical cost and net realisable value, on a first in first out basis, after making allowance for obsolete and slow moving items. Net realisable value is the estimated selling price in the ordinary course of business less applicable variable selling expenses.

Non-current assets and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- They are available for immediate sale;
- Management is committed to a plan to sell;
- It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- An active programme to locate a buyer has been initiated;
- The asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- A sale is expected to complete within 12 months from the date of classification.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- Their carrying amount immediately prior to being classified as held for sale in accordance with the group's accounting policy; and
- Fair value less costs of disposal.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated. The results of operations held for sale are included in the consolidated statement of comprehensive income up to the date of disposal.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the consolidated income statement separately from continuing operations in a section identified as relating to discontinued operations and prior year results have been restated.

Associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Financial assets

The Group and Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

Loans and receivables: Loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet. The accounting policies for these assets are discussed below.

Available-for-sale: Available-for-sale financial assets comprise the equity investment in a business start-up incorporated in Germany (see note 14). Available-for-sale financial assets are measured at fair value with gains or losses recognised directly in equity through the statement of changes in equity and recycled into the income statement on sale or impairment of the asset.

Financial liabilities

The Group and Company classifies its financial liabilities into one of two categories depending on the purpose for which the liability was acquired.

Other financial liabilities: Other financial liabilities include trade payables and other short term monetary liabilities. The accounting policies for these liabilities are discussed below.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

Trade and other receivables

Trade receivables do not carry interest and are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Trade receivables are assessed individually for impairment. Such provisions for impairment are recorded in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, net deposits held at call with banks and other short term highly liquid investments with original maturities of less than three months.

Trade and other payables

Trade payables and other short term monetary liabilities are recognised at fair value and subsequently held at amortised cost.

Current and deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:

- The initial recognition of goodwill;
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit; and
- Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- The same taxable Group company; or
- Different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Foreign currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Sterling (£) which is also the Company's functional currency.

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the income statement.

For consolidation purposes assets and liabilities of foreign subsidiaries that have a functional currency different from the presentation currency are translated at the rates of exchange ruling at the balance sheet date. Income statements of such undertakings are translated on a monthly basis at the month end exchange rate. Exchange differences arising on these translations are taken to the foreign currency translation reserve through other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

Hedge accounting

Hedge accounting is applied to financial assets and financial liabilities only where all of the following criteria are met:

- At the inception of the hedge there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge;
- For cash flow hedges, the hedged item in a forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss;
- The cumulative change in the fair value of the hedging instrument is expected to be between 80-125% of the cumulative change in the fair value or cash flows of the hedged item attributable to the risk hedged (i.e. it is expected to be highly effective);
- The effectiveness of the hedge can be reliably measured; and
- The hedge remains highly effective on each date tested. Effectiveness is tested quarterly.

Cash flow hedges

The effective part of forward contracts designated as a hedge of the variability in cash flows of foreign currency risk arising from firm commitments, and highly probable forecast transactions, are measured at fair value with changes in fair value recognised in other comprehensive income and accumulated in the cash flow hedge reserve. The Group uses such contracts to fix the rate of significant expected future cash inflows in the functional currency of the Group entity concerned.

If a highly probable forecast transaction results in the recognition of a non-monetary asset, the cumulative loss/(gain) is added to/(subtracted from) the cost of the asset acquired ("basis adjustment"). Otherwise the cumulative gain or loss recognised in other comprehensive income is reclassified from the cash flow hedge reserve to profit or loss at the same time as the hedged transaction affects profit or loss. The two transactions are recognised in the same line item.

If a forecast transaction is no longer considered highly probable but the forecast transaction is still expected to occur, the cumulative gain or loss recognised in other comprehensive income is frozen and recognised in profit or loss in accordance with the policy set out in the paragraph above. Subsequent changes in the fair value of the derivative are recognised in profit or loss. If the Group closes out its position before the transaction takes place (even though it is still expected to take place) the cumulative gain or loss on changes in fair value of the derivative is similarly recognised in accordance with the policy set out in the paragraph above. If, at any point, the hedged transaction is no longer expected to occur, the cumulative gain or loss is reclassified from the cash flow hedge reserve to profit or loss immediately.

Employee benefits

Contributions to pension schemes

The Group accounts for pensions and similar employee benefits under IAS 19 'Employee benefits'. The Group operates defined contribution pension schemes for both its UK and US employees. The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

Employee share option schemes

The Group operates an equity settled share based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement over the vesting period of the grant with a corresponding adjustment to equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non market vesting conditions (for example, profitability and sales growth targets). Non market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Operating leases

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

Where properties are sublet the rental income received is recognised as other income in the income statement on a straight line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

Dividend distribution

Dividends are recognised when they become legally payable. In the case of interim dividends, this is when they are paid. In the case of final dividends, this is when approved by the shareholders at the annual general meeting.

Provisions

Provisions are recognised when the Group 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 can be reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

3. Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates, judgements and assumptions

(a) *Estimate of useful lives of intangible assets*

Intangible assets are amortised over their estimated useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the carrying value and amounts charged to the consolidated income statement in specific periods. Customer relationships are amortised over 8 years. If this estimate increased by 10% the decrease in the amortisation charge for the year would be £41,000 (2016: £41,000). If this estimate decreased by 10% the increase in the amortisation charge for the year would be £37,000 (2016: £37,000). Within development costs there are a significant number of different projects across the Group. The useful life of each project is assessed on an individual basis. The directors do not consider it meaningful to provide a sensitivity analysis in this context due to the number of individual projects involved. More details including carrying values is included in note 11.

(b) *Judgements concerning the capitalisation of development costs*

Development costs are capitalised according to the criteria set out in IAS 38. Management make assumptions as to when these criteria have been met and consequently the date from which the costs for a project are capitalised. Management review the carrying value of capitalised development costs on an annual basis and consider indicators of impairment.

(c) *Estimate of Inventory provisions*

The Group reviews the net realisable value of, and demand for, its inventory on a regular basis to provide assurance that recorded inventory is stated at the lower of cost or net realisable value. Provision is made for obsolete and slow moving items in accordance with the Group policy and management revisit this annually to ensure it remains appropriate. Factors that could impact estimated demand and selling prices include the timing and success of future technological innovations, competitor actions, supplier prices and economic trends. If the inventory provision at 30 September 2017 differed from management estimates by 10%, the Group's consolidated net income in 2017 would have improved/declined by an estimated £60,000 (2016: £50,000) depending upon whether the provision decreased/increased.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

(d) *Estimate of share based payments*

The Group operates a number of equity settled share based remuneration schemes for employees. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of share options is estimated using the Monte Carlo option pricing model on the date of grant based on certain assumptions. Those assumptions are described in note 23 and include, among others, the expected volatility and expected life of the option. More details including carrying values are disclosed in note 23.

(e) *Determination of fair values of intangible assets acquired in business combinations*

The fair value of intellectual property acquired in business combinations is based on the royalty relief method. The fair value of the intellectual property acquired with IMeasureU Limited during the year was determined using a discount factor of 12% and royalty rate of 17%. If the estimation of the discount factor had increased by 1% the resulting fair value of the intellectual property at 30 September 2017 would have decreased by £131,000. If the estimation of the discount factor had decreased by 1% the resulting fair value of the intellectual property at 30 September 2017 would have increased by £143,000. If the estimation of the royalty rate had increased/decreased by 1% the resulting fair value of the intellectual property at 30 September 2017 would have increased/decreased by £139,000.

The fair values of customer relationships acquired through business combinations in prior years are based on the discounted cash flows expected to be derived from the use and eventual sale of the asset. If the estimation of the discount rate of 14% used in this calculation had increased by 1% the fair value of the customer relationships at 30 September 2017 would have decreased by £38,000 (2016: £47,000). If the estimation of the discount rate of 14% had decreased by 1% the fair value of the customer relationships at 30 September 2017 would have increased by £40,000 (2016: £50,000).

The contingent consideration payable on the acquisition of ImeasureU Limited has been calculated using managements estimate of the most likely outcome regarding the achievement of certain performance conditions. This contingent consideration has been discounted at a rate of 35% and translated into Sterling at the spot rate at 30 September 2017. A sensitivity analysis of these estimations is provided in note 18.

(f) *Estimates concerning the recognition of deferred taxes*

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. Where the temporary differences are related to losses, the availability of the losses to offset against forecast taxable profits is also considered.

(g) *Revenue recognition estimations*

The Group reviews recognition of revenue with respect to hardware and software sales where they include an element of provision for additional services, such as support and maintenance, in line with IAS 18.

The Group's selling price for hardware sales includes support and maintenance servicing and therefore the Group defers an element of revenue which is recognised over a subsequent period. Typically, the servicing is for a period of one year from date of sale, but can be up to five years. Management believes that, based on past experience with similar revenue streams and actual support costs, an estimate of deferral of between 1% and 3% per year, dependent upon the specific CGU, is appropriate and is consistent with the current level of support costs. If management's estimate of the appropriate level of revenue deferral increased by 1% the Group's consolidated net income in 2017 would have decreased by £216,000. If management's estimate of the appropriate level of revenue deferral decreased by 1% the Group's consolidated net income in 2017 would have increased by £216,000.

Within Yotta surveying, revenue is recognised on survey contracts by reference to the total sales value and the stage of completion of the survey contracts. The Group has adopted the following policy for assessing the stage of completion of these survey contracts, this has been determined with reference to the proportion of total cost incurred:

- 90% of the contract value is recognised based on the number of kilometres surveyed, expressed as a percentage of the total kilometres surveyed;
- 10% of the contract value is recognised after the survey has been completed and the data delivered to the customer.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

Yotta surveying has been discontinued during the year and is classified as held for sale at 30 September 2017. The directors consider that a sensitivity analysis regarding the estimations used above would not be meaningful in this context.

4. Segmental analysis

Segment information is presented in the financial statements in respect of the Group's business segments, which are reported to the Chief Operating Decision Maker (CODM). The Group has identified the Board of Directors of Oxford Metrics plc, formerly OMG plc, ("the Board") as the CODM. The business segment reporting reflects the Group's management and internal reporting structure.

The Group comprises the following business segments:

- Vicon Group: This is the development, production and sale of computer software and equipment for the engineering, entertainment and life science markets; and
- Yotta Group: This is the provision of software and services for the management of infrastructure assets and highways surveying services (which are pending disposal) for the Government Agencies, Local Government and major infrastructure contractors. Yotta surveying was discontinued during the year and is shown within discontinued operations.

Other unallocated costs represent head office expenses not recharged to subsidiary companies.

Inter segment transfers are priced along the same lines as sales to external customers, with an appropriate discount being applied to encourage use of Group resources. This policy was applied consistently throughout the current and prior year. There were no significant inter segment transfers during the current or prior year.

Intra segment sales between Vicon UK and Vicon USA are eliminated prior to management and internal reporting, and hence are not shown separately in the analysis below. The total sales from Vicon UK to Vicon USA in the year ended 30 September 2017 are £5,103,000 (2016: £6,150,000).

Segment assets consist primarily of property, plant and equipment, intangible assets, inventories and trade and other receivables. Unallocated assets comprise deferred taxation, investments and cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

Business segments are analysed below:

	Revenue	
	2017 £'000	2016 £'000
Vicon UK	11,342	9,607
Vicon USA	11,170	10,802
Vicon Group	22,512	20,409
Yotta	6,643	5,918
Continuing operations	29,155	26,327
OMG Life Group (note 10)	-	87
Yotta Surveying (note 10)	2,842	3,165
Discontinued operations	2,842	3,252
Oxford Metrics Group	31,997	29,579
Vicon revenue by market		
Engineering	4,767	4,490
Entertainment	6,661	5,635
Life sciences	11,084	10,284
Vicon Group*	22,512	20,409
Group revenue by type		
Sale of hardware	20,240	19,359
Sale of software	3,603	2,081
Rendering of services	5,312	4,887
Continuing operations	29,155	26,327
Rendering of services	2,842	3,252
Discontinued operations	2,842	3,252
Oxford Metrics Group	31,997	29,579
Yotta revenue by type		
Software and related services	6,643	5,775
Surveying services	-	143
Continuing operations	6,643	5,918
Surveying services	2,842	3,165
Discontinued operations	2,842	3,165
Yotta Group	9,485	9,083

* This additional information is provided to the Chief Operating Decision Maker. Further analysis by market is not available.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Revenue	
	2017 £'000	2016 £'000
By destination		
UK	8,512	8,094
Germany	554	710
Bulgaria	301	-
Poland	-	390
Netherlands	677	753
Rest of Europe	1,065	1,120
North America	11,240	10,246
Australia	1,106	363
Hong Kong	1,948	1,747
Japan	2,441	1,598
Rest of Asia Pacific	549	341
Other	762	965
Continuing operations	29,155	26,327
UK	2,842	3,125
Europe	-	41
North America	-	86
Discontinued operations	2,842	3,252
Oxford Metrics Group	31,997	29,579
By origin		
UK	17,722	15,505
North America	11,170	10,802
Asia Pacific	263	20
Continuing operations	29,155	26,327
UK	2,842	3,247
North America	-	5
Discontinued operations	2,842	3,252
Oxford Metrics Group	31,997	29,579

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

	2017				2016			
	Adjusted profit/(loss) before tax £'000	Adjusting items £'000	Group recharges £'000	Profit/(loss) before tax £'000	Adjusted profit/(loss) before tax £'000	Adjusting items £'000	Group recharges £'000	Profit/(loss) before tax £'000
Vicon UK	1,418	(221)	1,653	2,850	1,544	-	2,360	3,904
Vicon USA	4,226	-	(3,237)	989	4,375	-	(3,774)	601
Vicon Group	5,644	(221)	(1,584)	3,839	5,919	-	(1,414)	4,505
Yotta	670	(445)	(641)	(416)	1,423	(453)	(584)	386
Unallocated	(2,398)	3	2,639	244	(2,237)	(64)	2,530	229
Continuing operations	3,916	(663)	414	3,667	5,105	(517)	532	5,120
OMG Life Group	(183)	12	-	(171)	(1,079)	(1,673)	(264)	(3,016)
Yotta Surveying	213	(1,609)	(414)	(1,810)	537	-	(268)	269
Unallocated	(158)	-	-	(158)	-	-	-	-
Discontinued operations	(128)	(1,597)	(414)	(2,139)	(542)	(1,673)	(532)	(2,747)
Oxford Metrics Group	3,788	(2,260)	-	1,528	4,563	(2,190)	-	2,373

Adjusted profit before tax is detailed in note 6.

	Segment depreciation and amortisation	
	2017 £'000	2016 £'000
Vicon UK	1,188	1,002
Vicon USA	45	27
Vicon Group	1,233	1,029
Yotta	666	766
Unallocated	24	28
Continuing operations	1,923	1,823
OMG Life Group	-	1,642
Yotta Surveying	1,873	185
Discontinued operations	1,873	1,827
Oxford Metrics Group	3,796	3,650

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Non-current assets		Additions to non-current assets		Carrying amount of segment assets		Carrying amount of segment liabilities	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Vicon UK	8,495	3,381	6,313	1,044	18,380	10,949	(5,717)	(3,587)
Vicon USA	825	860	40	17	5,782	6,342	(1,639)	(2,042)
Vicon Group	9,320	4,241	6,353	1,061	24,162	17,291	(7,356)	(5,629)
Yotta	4,793	4,094	603	350	15,399	11,211	(3,996)	(1,884)
Yotta Surveying	-	3,742	-	361	-	8,738	-	(2,139)
Yotta Group	4,793	7,836	603	711	15,399	19,949	(3,996)	(4,023)
Unallocated	501	254	272	37	3,613	6,184	(908)	(1,114)
OMG Life Group*	12	35	-	-	(6,041)	(5,709)	(41)	(120)
Held for sale	-	-	-	-	3,047	-	(584)	-
Oxford Metrics Group	14,626	12,366	7,228	1,809	40,180	37,715	(12,885)	(10,886)

* The negative balance within segment assets represents a cash overdraft which is part of the Group's cash offset facility.

5. Profit for the year

The profit for the year is stated after charging/(crediting):

	2017 £'000	2016 £'000
(Profit)/loss on disposal of property, plant and equipment	(39)	9
Depreciation of property, plant and equipment – owned (note 13)	409	478
Amortisation of customer relationships (note 11)	314	305
Amortisation of intellectual property (note 11)	187	126
Amortisation of development costs (note 11)	1,256	1,107
Impairment of intangible fixed assets (note 11)	1,630	1,634
Share based payments – equity settled (note 23)	142	103
Operating lease charges – land and buildings	641	576
Foreign exchange gain	(95)	(552)
Profit on transfer of intellectual property to equity accounted associate	(208)	-
Grant income receivable	(89)	(990)

During the year the Group obtained the following services from the Group's auditors and its associates as detailed below:

	2017 £'000	2016 £'000
Fees payable to the Company's auditor for the audit of the parent Company and consolidated financial statements	35	29
Fees payable to the Company's auditor for other services:		
The audit of financial statements of subsidiaries pursuant to legislation	47	48
Tax services	27	21
Other services	13	-
Fees payable to associates of the Company's auditor for other services	16	21
	138	119

Audit services include £13,000 in respect of the Company (2016: £13,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

6. Reconciliation of adjusted profit/(loss) before tax

The adjusted profit/(loss) before tax is considered by the Board to more accurately reflect the underlying operating performance of the business on a go-forward basis and complements the statutory measure as reported in the Consolidated Income Statement.

The reconciliation of profit/(loss) before tax to adjusted profit/(loss) provided below includes items that are:

- non-recurring in nature, such as redundancy costs incurred from time to time, acquisition costs and results of the Group's equity accounted associate, which are not core to operations or future operating performance.
- non-cash moving items which arise from the accounting treatment of share based payments and the amortisation of acquired intangibles which affect neither future operating performance nor cash generation.

The above definition has been consistently applied historically and is the measure by which the market generally judges PBT performance.

	2017	2016
	£'000	£'000
Profit before tax – continuing operations	3,667	5,120
Share based payments – equity settled	153	64
Amortisation of intangibles arising on acquisition	485	424
Redundancy costs	9	29
Costs associated with acquisition of subsidiary undertaking	137	-
Income from transfer of intellectual property to equity accounted associate	(208)	-
Share of post-tax loss of equity accounted associate	87	-
Reapportion Group overheads	(414)	(532)
Adjusted profit before tax – continuing operations	3,916	5,105
(Loss)/profit before tax – discontinued operations	(2,139)	(2,747)
Share based payments – equity settled	(11)	39
Impairment of intangible assets	1,608	1,634
Reapportion Group overheads	414	532
Adjusted profit/(loss) before tax – discontinued operations	(128)	(542)
Total adjusted profit before tax – all operations	3,788	4,563

The redundancy costs in the year ended 30 September 2017 and 30 September 2016 are associated with OMG Life Group and the restructuring of the Yotta UK business segment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

7. Directors and employees

Staff costs during the year were as follows:

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Wages and salaries	12,662	11,195	1,371	1,378
Share-based payments	142	103	119	64
Social security costs	1,318	1,146	169	222
Other pension costs	528	495	50	58
	14,650	12,939	1,709	1,722

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

	2017 Number	2016 Number
Development	49	49
Sales and customer support	59	46
Production and production services	89	80
Management and administration	24	28
	221	203

The average number of employees of the Company during the year was 10 (2016:10) all of which are classified as management and administration.

Details of individual directors' remuneration are included in the Report on Directors' Remuneration. For the purposes of IAS 24 'Related party disclosures' the directors are considered key management.

Key management personnel compensation:

	2017 £'000	2016 £'000
Wages and salaries	962	1,015
Share-based payments	115	64
Social security costs	118	253
Other pension costs	17	30
Benefits in kind	5	7
	1,217	1,369
Gains on exercise of share options	-	1,039
	1,217	2,408

The number of directors accruing benefits under Group pension schemes was 2 (2016: 2).

Exercise of directors' share options

During the year no directors (2016: 3 directors) exercised share options. The aggregate of the gains made on these exercises in the table above is calculated on the difference between the option price and the mid-market price at the time of exercise. Additional details can be obtained from the Report on Directors' Remuneration on page 14.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

8. Taxation

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

	2017 £'000	2016 £'000
United Kingdom corporation tax at 19.5% (2016: 20%)	251	492
Overseas taxation	722	312
Adjustments in respect of prior year	(21)	(275)
Current taxation	952	529
Deferred taxation (note 19)	(431)	(427)
Total taxation expense	521	102

Continuing and discontinued operations:

	2017 £'000	2016 £'000
Income tax expense from continuing operations	533	400
Income tax expense/(credit) from discontinued operations excluding gain on sale (note 10)	6	(318)
	539	82

Total tax expense:

	2017 £'000	2016 £'000
Income tax expense excluding tax on sale of discontinued operations	539	82
Income tax (credit)/expense on gain on sale of discontinued operations (note 10)	(18)	20
	521	102

At 30 September 2017, the Group had an undiscounted deferred tax asset of £422,000 (2016: £311,000). The asset comprises principally short term timing differences and future tax relief available on the exercise of outstanding employee share options in Oxford Metrics plc.

Deferred tax assets and liabilities have been measured at an effective rate of 17% and 38% in the UK and USA, respectively (2016: 17% and 38%, respectively) and are detailed in note 19.

The inclusion of legislation to reduce the main rate of corporation tax from 20% to 19% from 1 April 2017 and then a further reduction to 17% from 1 April 2020 was substantively enacted on 15 September 2016.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 19.5% (2016: lower than the standard rate of 20%).

The differences are explained as follows:

	2017 £'000	2016 £'000
Profit on ordinary activities before tax	1,528	2,373
Expected tax income based on the standard rate of corporation tax in the UK of 19.5% (2016: 20%)	298	475
Effect of:		
Expenses not deductible for tax purposes	388	(53)
Tax gain on sale of discontinued operation in excess of book gain	-	2
Derecognition of deferred tax asset on losses	-	201
Adjustments to tax charge in respect of prior year current tax	(21)	(275)
Adjustments to tax charge in respect of prior year deferred tax	-	(185)
Higher rates on overseas taxation	160	250
Research and development tax credit	(305)	(308)
Share based payments	39	88
Effect of rate change	(38)	(93)
Total tax expense	521	102

9. Earnings/(loss) per share

	2017			2016		
	Earnings/ (loss) £'000	Weighted average number of shares '000	Per share amount (pence)	Earnings/ (loss) £'000	Weighted average number of shares '000	Per share amount (pence)
Continuing operations						
Basic earnings per share						
Earnings attributable to ordinary shareholders	3,134	122,705	2.55	4,720	120,354	3.92
Dilutive effect of employee share options	-	3,322	(0.06)	-	1,717	(0.05)
Diluted earnings per share	3,134	126,027	2.49	4,720	122,071	3.87
Discontinued operations						
Basic (loss)/earnings per share						
(Loss)/earnings attributable to ordinary shareholders	(2,127)	122,705	(1.73)	(2,449)	120,354	(2.03)
Dilutive effect of employee share options	-	3,322	-	-	1,717	-
Diluted (loss)/earnings per share	(2,127)	126,027	(1.73)	(2,449)	122,071	(2.03)
Total operations						
Basic earnings per share						
Earnings attributable to ordinary shareholders	1,007	122,705	0.82	2,271	120,354	1.89
Dilutive effect of employee share options	-	3,322	(0.02)	-	1,717	(0.03)
Diluted earnings per share	1,007	126,027	0.80	2,271	122,071	1.86

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares (share options). For share options a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscriptions rights and outstanding share based payment charges attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise price of the share options.

10. Discontinued operations

During the year the decision was taken by the Group to discontinue the Yotta Surveying cash generating unit. The comparative period income statement and related notes have been restated to reflect this.

Result of Yotta Surveying Group

	2017 £'000	2016 £'000
Revenue	2,842	3,165
Expenses other than finance costs	(4,651)	(2,895)
Tax credit/(charge)	29	(209)
(Loss)/profit for the year	(1,780)	61

During the prior year the decision was taken by the Group to discontinue the OMG Life Group cash generating unit.

Result of OMG Life Group

	2017 £'000	2016 £'000
Revenue	-	87
Expenses other than finance costs	(172)	(3,103)
Tax (expense)/credit	(35)	526
Loss for the year	(207)	(2,490)

The sale of House of Moves Inc. was completed on 15 October 2014 for a total consideration of \$1,300,000.

Result of House of Moves

	2017 £'000	2016 £'000
Gain from selling discontinued operation after tax	1	(20)
Profit/(loss) for the year	1	(20)

The result in the period for House of Moves is as a result of differences in foreign exchange rates on the deferred consideration received.

On 8 April 2015, the Group sold its 100% interest in 2d3 Limited, 2d3 Inc. and Sensing Systems Inc. for a total consideration of \$23,144,000.

Result of 2d3 Group

	2017 £'000	2016 £'000
Recycling of hedging instrument	(158)	-
Gain from selling discontinued operation after tax	17	-
Loss for the year	(141)	-

The gain in the period for 2d3 Group is as a result of differences in foreign exchange rates on the deferred consideration received.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

Result of all discontinued operations

	2017 £'000	2016 £'000
Revenue	2,842	3,252
Expenses other than finance costs	(4,823)	(5,998)
Recycling of hedging instrument	(158)	-
Tax (expense)/credit	(6)	317
Gain from selling discontinued operation after tax	18	(20)
Loss for the year	(2,127)	(2,449)

The statement of cash flows includes the following amounts relating to discontinued operations:

	2017 £'000	2016 £'000
Operating activities	(305)	(382)
Tax received/(paid)	229	(3)
Investing activities	2,125	(172)
Financing activities	-	-
Net cash flow from discontinued operations	2,049	(557)

The deferred consideration receivable in respect of the sale of House of Moves totals \$300,000 (2016: \$400,000). The fair value of this at 30 September 2017 was £170,000 (2016: £234,000). The deferred consideration receivable in respect of the sale of 2d3 Group totals \$nil (2016: \$2,500,000). The fair value of this at 30 September 2016 was £1,924,000. The deferred consideration receivable in more than one year totals £nil (2016: £113,000).

11. Goodwill and intangible fixed assets

Group	Brand name £'000	Customer relationships £'000	Intellectual property £'000	Development costs £'000	Goodwill £'000	Total £'000
Cost						
At 1 October 2016	83	3,199	789	13,245	4,999	22,315
Additions	-	-	-	1,822	-	1,822
Acquired through business combinations	-	-	2,448	-	1,076	3,524
Reclassified as available for sale	(81)	(737)	-	(569)	(2,452)	(3,839)
Translation difference	(2)	(3)	(2)	-	(12)	(19)
At 30 September 2017	-	2,459	3,235	14,498	3,611	23,803
Amortisation						
At 1 October 2016	83	1,691	558	8,897	-	11,229
Charge for the year	-	314	187	1,256	-	1,757
Impairment	-	-	-	21	1,609	1,630
Reclassified as available for sale	(81)	(737)	-	(451)	(1,609)	(2,878)
Translation difference	(2)	(2)	-	-	-	(4)
At 30 September 2017	-	1,266	745	9,723	-	11,734
Net book value at 30 September 2017	-	1,193	2,490	4,775	3,611	12,069
Net book value at 30 September 2016	-	1,508	231	4,348	4,999	11,086

All development costs are internally generated.

During the year the decision was taken to discontinue the Yotta Surveying cash generating unit. Subsequently the value of the goodwill in relation to this cash generating unit was impaired resulting in an impairment loss of £1,609,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

On 27 June 2017 Vicon Motion Systems Ltd acquired 100% of the share capital of IMeasureU Ltd. On acquisition £2,448,000 of intellectual property and £1,076,000 of goodwill was recognised as an intangible fixed asset. Further details are included in note 26.

Group	Brand name £'000	Customer relationships £'000	Intellectual property £'000	Development costs £'000	Goodwill £'000	Total £'000
Cost						
At 1 October 2015	71	3,126	789	12,074	4,925	20,985
Additions	-	65	-	1,360	-	1,425
Disposals	-	-	-	(189)	-	(189)
Translation difference	12	8	-	-	74	94
At 30 September 2016	83	3,199	789	13,245	4,999	22,315
Amortisation						
At 1 October 2015	71	1,386	432	6,258	-	8,147
Charge for the year	-	305	126	1,107	-	1,538
Impairment	-	-	-	1,634	-	1,634
Disposals	-	-	-	(102)	-	(102)
Translation difference	12	-	-	-	-	12
At 30 September 2016	83	1,691	558	8,897	-	11,229
Net book value at 30 September 2016	-	1,508	231	4,348	4,999	11,086
Net book value at 30 September 2015	-	1,740	357	5,816	4,925	12,838

None of the goodwill included in the tables above has been internally generated.

During the prior year the decision was taken to discontinue the OMG Life cash generating unit. Subsequently all remaining capitalised development costs were impaired resulting in an impairment loss of £1,634,000.

On 29 April 2016 Yotta Pty Limited acquired certain trade and assets of Roads Solar Works Pty Limited. Net assets of AUD\$5,000 were acquired for a consideration of AUD\$124,000. On acquisition £65,000 of customer relationships were recognised as an intangible asset.

Current estimates of the remaining useful economic lives of the intangible assets are as follows:

Customer relationships	3-4 years
Intellectual property	2-10 years
Development costs	1-5 years
Goodwill	Indefinite

12. Goodwill and impairment

Details of goodwill allocated to cash generating units for which the amount of goodwill so allocated is significant in comparison to total goodwill is as follows:

	Goodwill carrying value	
	2017 £'000	2016 £'000
Vicon:		
Vicon USA cash generating unit (Peak)	521	533
Vicon UK cash generating unit (IMeasureU)	1,076	-
Yotta:		
Yotta Surveying cash generating unit (DCL)*	-	2,452
Yotta cash generating unit	2,014	2,014
	3,611	4,999

* The goodwill associated with the Yotta Surveying cash generating unit of £843,000 is included within assets held for sale as at 30 September 2017. The carrying value is based on anticipated sales proceeds in excess of the book value of net assets.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

The recoverable amounts of all the CGU's have been determined from value in use calculations based on cash flow projections from formally approved budgets covering the financial years ending 30 September 2018 and 30 September 2019.

The recoverable amount for the CGUs that hold a significant proportion of the Group's overall goodwill balance are as follows:

- Vicon UK (IMeasureU) exceeds its carrying amount by £16.0m; and
- Yotta (previously known as Mayrise) exceeds its carrying amount by £30.2m (2016: £3.7m).

Other major assumptions are as follows (the growth rate applies only to the period beyond the formal budgeted period with the value in use calculation based on the budgeted cash flows up to 30 September 2019 and assumes a perpetuity based terminal value).

	Peak 2017 %	IMU 2017 %	DCL 2017 %	Yotta 2017 %
Pre tax discount rate	12.1	12.4	n/a	12.1
Average operating margin	40.8	29.9	n/a	12.0
Growth rate	1.0	11.2	n/a	4.0

	Peak 2016 %	IMU 2016 %	DCL 2016 %	Yotta 2016 %
Pre tax discount rate	13.2	n/a	13.2	13.2
Average operating margin	37.0	n/a	58.3	58.5
Growth rate	1.0	n/a	0.0	4.0

Operating margins have been based on past experience and future expectations in the light of anticipated economic and market conditions. Discount rates are based on the Group's WACC adjusted to reflect management's assessment of specific risks related to the cash generating unit. Growth rates beyond the formally budgeted period are based on economic data pertaining to the region concerned.

A sensitivity analysis has been performed to establish how a change in the key assumptions would impact the value in use. All discount rates would have to move significantly in order for the carrying values to be impaired. A growth rate of 0% would not result in any of the carrying values being impaired. The operating margins would have to move significantly in order for goodwill carrying values to be impaired.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

13. Property, plant and equipment

Group	Computers and equipment £'000	Furniture and fixtures £'000	Motor vehicles £'000	Demonstration equipment £'000	Leasehold improvements £'000	Total £'000
Cost						
At 1 October 2016	2,605	395	150	334	556	4,040
Additions	315	168	6	343	848	1,680
On acquisition	7	-	-	-	-	7
Disposals	(362)	(9)	(32)	(231)	(10)	(644)
Transferred to available for sale	(491)	(1)	(124)	-	-	(616)
Translation differences	(8)	-	-	(1)	-	(9)
At 30 September 2017	2,066	553	-	445	1,394	4,458
Depreciation						
At 1 October 2016	2,195	244	101	242	471	3,253
Charge for the year	243	45	21	35	65	409
Disposals	(350)	(9)	(30)	(229)	(10)	(628)
Transferred to available for sale	(424)	(1)	(92)	-	-	(517)
Translation differences	(6)	-	-	(1)	-	(7)
At 30 September 2017	1,658	279	-	47	526	2,510
Net book value at 30 September 2017	408	274	-	398	868	1,948
Net book value at 30 September 2016	410	151	49	92	85	787

Group	Computers and equipment £'000	Furniture and fixtures £'000	Motor vehicles £'000	Demonstration equipment £'000	Leasehold improvements £'000	Total £'000
Cost						
At 1 October 2015	4,240	308	288	485	555	5,876
Additions	224	147	27	127	1	526
Disposals	(1,901)	(62)	(165)	(199)	-	(2,327)
Adjustment to inventory	-	-	-	(93)	-	(93)
Translation differences	42	2	-	14	-	58
At 30 September 2016	2,605	395	150	334	556	4,040
Depreciation						
At 1 October 2015	3,690	287	224	284	407	4,892
Charge for the year	325	13	42	34	64	478
Disposals	(1,847)	(58)	(165)	(84)	-	(2,154)
Translation differences	27	2	-	8	-	37
At 30 September 2016	2,195	244	101	242	471	3,253
Net book value at 30 September 2016	410	151	49	92	85	787
Net book value at 30 September 2015	550	21	64	201	148	984

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

Company	Computers and equipment £'000	Furniture and fixtures £'000	Leasehold improvements £'000	Total £'000
Cost				
At 1 October 2016	256	203	8	467
Additions	22	-	-	22
Disposals	-	-	-	-
At 30 September 2017	278	203	8	489
Depreciation				
At 1 October 2016	221	199	8	428
Charge for the year	21	3	-	24
Disposals	-	-	-	-
At 30 September 2017	242	202	8	452
Net book value at 30 September 2017	36	1	-	37
Net book value at 30 September 2016	35	4	-	39

Company	Computers and equipment £'000	Furniture and fixtures £'000	Leasehold improvements £'000	Total £'000
Cost				
At 1 October 2015	222	203	8	433
Additions	37	-	-	37
Disposals	(3)	-	-	(3)
At 30 September 2016	256	203	8	467
Depreciation				
At 1 October 2015	199	197	7	403
Charge for the year	25	2	1	28
Disposals	(3)	-	-	(3)
At 30 September 2016	221	199	8	428
Net book value at 30 September 2016	35	4	-	39
Net book value at 30 September 2015	23	6	1	30

14. Investments

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Shares in subsidiary undertakings – cost				
At 1 October	-	-	14,340	14,340
Additions	-	-	7,210	-
Impairment	-	-	(6,555)	-
Transferred to available for sale	-	-	(1,000)	-
At 30 September	-	-	13,995	14,340
Investment in associate – equity accounted				
At 1 October	-	-	-	-
Additions	250	-	250	-
Share of post-tax loss of equity accounted associate	(87)	-	(87)	-
At 30 September	163	-	163	14,340
Other investment – cost and fair value				
At 1 October and 30 September	69	69	69	69
Total financial assets – investments	232	69	14,227	14,409

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

During the year 100% of the share capital of Yotta Limited and Mayrise Services Limited was transferred from Yotta Surveying Limited to Oxford Metrics plc.

Oxford Metrics plc's investment in Yotta Surveying Limited was impaired during the year ended 30 September 2017 by £6,555,000 (2016: £nil).

Details of the Company's undertakings, all of which are wholly owned and included within the consolidated financial statements, are as follows:

Name of entity	Principal activity	Country of incorporation	Registered office
Vicon Motion Systems Limited	Development, production and sale of computer software and equipment	England	6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU
Yotta Surveying Limited (formerly Yotta Limited)	Services for the management of infrastructure	England	6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU
Yotta Limited (formerly Mayrise Limited)	Provision of computer software, hardware and maintenance contracts	England	6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU
Mayrise Services Limited	Dormant holding company	England	6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU
Mayrise Systems Limited*	Dormant holding company	England	6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU
Yotta Pty Limited*	Provision of computer software, hardware and maintenance contracts	Australia	Allan Hall Business Advisors Pty Ltd, Suite 126, 117 Old Pittwater Rd, Brookvale NSW 2100
OMG Life Limited	Non trading company	England	6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU
Vicon Motion Systems, Inc.*	Sales, marketing and customer support	USA	7388 South Revere Parkway, Suite 901, Centennial, Colorado
IMeasureU Ltd*	Development and sale of computer software and equipment	New Zealand	117/125 St Georges Bay Rd, Parnell, Auckland, 1052, New Zealand
OMG, Inc.	Non trading company	USA	7388 South Revere Parkway, Suite 901, Centennial, Colorado
IMeasureU, Inc.*	Non trading company	USA	7388 South Revere Parkway, Suite 901, Centennial, Colorado
Oxford Metrics Limited	Non trading company	Ireland	6th floor South Bank House, Barrow street, Dublin 4

IMeasureU, Inc. and Oxford Metrics Limited were incorporated during the current year. OMG Life, Inc. was dissolved during the current year.

Yotta Pty Limited was incorporated during the year ended 30 September 2016.

* Investment held indirectly.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

Available-for-sale investment

During the year ended 30 September 2005 the Company acquired 12% of the equity in a business start-up incorporated in Germany in return for a capital injection of €100,000 (£69,000). There were no disposals or impairment provisions on the available-for-sale financial asset in the year ended 30 September 2017 or 2016. This investment is stated at fair value which is also its cost as at 30 September 2017.

15. Inventories

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Finished goods	952	267	-	-
Component parts	2,378	2,437	-	-
	3,330	2,704	-	-

The cost of inventories recognised as an expense and included in cost of sales is £5,994,000 (2016: £5,733,000). During the year £123,000 of inventories were impaired (2016: £87,000). £133,000 of inventories were written off (2016: £2,000) and included within cost of sales.

16. Trade and other receivables

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Trade receivables	8,693	9,844	-	-
Provision for impairment of trade receivables	(237)	(13)	-	-
Net trade receivables	8,456	9,831	-	-
Amounts owed by other Group undertakings	-	-	11,053	11,022
Other debtors	210	301	34	25
Prepayments and accrued income	1,156	1,089	194	156
Deferred consideration receivable	170	2,045	-	385
Amounts due from customers for contract work	-	653	-	-
	9,992	13,919	11,281	11,588

Amounts due from customers for contract work in the current year are included in the trade and receivables balance within assets classified as held for sale, see note 25.

Amounts owed by other Group undertakings are repayable on demand and do not carry interest (see note 33).

As of 30 September 2017 trade receivables of £2,152,000 (2016: £2,723,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables from date of invoice is as follows:

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Up to 3 months	1,841	1,408	-	-
3 to 6 months	43	1,315	-	-
Over 6 months	268	-	-	-
	2,152	2,723	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

As of 30 September 2017 trade receivables of £237,000 (2016: £13,000) were impaired. The amount of the provision was £237,000 as of 30 September 2017 (2016: £13,000). The ageing of these receivables is as follows:

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Over 6 months	237	13	-	-

The carrying amounts of the Group and Company's trade and other receivables are denominated in the following currencies:

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Sterling	7,438	7,295	6,280	10,642
Euro	180	101	-	-
US Dollar	2,169	6,500	-	946
NZ Dollar	53	-	-	-
AUS Dollar	152	23	-	-
	9,992	13,919	6,280	11,588

Movements in the provision for impairment of trade receivables are as follows:

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
At 1 October	13	10	-	-
Provided during the year	224	3	-	-
At 30 September	237	13	-	-

The movement on the provision for impairment of trade receivables has been included in administrative expenses in the income statement.

Other classes of financial assets included within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each receivable set out above.

17. Trade and other payables

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Trade payables	2,386	2,359	95	69
Amounts payable to group undertakings	-	-	6,538	4,933
Social security and other taxes	249	284	-	-
Other creditors	256	407	-	-
Contingent consideration payable (note 26)	333	-	-	-
Accruals	2,509	2,449	560	507
Deferred income	3,353	3,083	-	-
	9,086	8,582	7,193	5,509

The contingent consideration payable relates to the acquisition of IMeasureU Limited during the year, see note 26.

Amounts payable to Group undertakings are payable on demand and do not carry interest.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

18. Financial instruments

The Group and Company's financial instruments comprise cash and short term deposits, debtors and creditors that arise directly from its operations. The risks associated with these financial instruments and the Group's policies for managing those risks are outlined below.

Derivative financial liabilities

Derivatives designated as hedging instruments

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Forward foreign exchange contracts – cash flow hedge	-	158	-	158

The Group has no derivative financial instruments not designated as hedging instruments.

Cash flow forward foreign exchange contracts

Foreign exchange risk arises when individual Group operations enter into transactions denominated in a currency other than their functional currency. Where the risk to the Group is considered to be significant, the Group will enter into a matching forward foreign exchange contract with a reputable bank.

There was no cash flow hedge outstanding at 30 September 2017. There was one cash flow hedge outstanding at 30 September 2016 and its fair value was £158,000.

The hedged forecast transaction denominated in foreign currency was realised in October 2016. Gains and losses recognised in the cash flow hedging reserve in equity on forward foreign exchange contracts as at 30 September 2016 are recognised in the consolidated statement of comprehensive income. The amount recorded in the consolidated statement of comprehensive income in the prior period in relation to this forward foreign exchange contract was a loss of £158,000.

Interest rate risk of financial assets

Surplus cash funds are deposited with UK clearing banks on a short term basis for periods of less than three months. The interest rates earned (all of which are variable throughout the year) are compared with those available from other financial institutions of comparable credit status.

The rate of interest earned during the year on cash deposits was 0.08% (2016: 0.08%).

	2017						2016				
	GBP £'000	Euro £'000	US\$ £'000	NZ\$ £'000	AUS\$ £'000	Total £'000	GBP £'000	Euro £'000	US\$ £'000	AUS\$ £'000	Total £'000
Cash at bank and in hand	5,845	97	3,138	85	20	9,185	6,458	70	1,721	24	8,273
Included in held for sale	600	-	-	-	-	600	-	-	-	-	-
Group cash at bank and in hand	6,445	97	3,138	85	20	9,785	6,458	70	1,721	24	8,273

	2017				2016			
	GBP £'000	Euro £'000	US\$ £'000	Total £'000	GBP £'000	Euro £'000	US\$ £'000	Total £'000
Company cash at bank and in hand	2,698	-	-	2,698	2,652	-	657	3,309

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

Management considers a 0.75 basis point move in interest rates to be reasonably possible. If the interest rates in effect during the year had moved by plus or minus 0.75 basis points and all other variables held constant the Group's profit for the year ended 30 September 2017 would decrease by £14,000/increase by £59,000 (2016: decrease by £23,000/increase by £47,000). There would be no impact on other equity reserves.

As disclosed in note 14 the Group has an equity investment of £69,000 (2016: £69,000) denominated in Euros. This is accounted for as an available-for-sale investment and is measured at fair value in the balance sheet with gains or losses recognised directly in equity.

The Group and Company do not have any longer term foreign currency cash holdings.

Borrowing facilities

The Group and Company have no borrowings.

The Group operates a Multi-Currency Balance Management Arrangement between certain Group companies. This arrangement may result in individual accounts of certain entities showing debit balances. However, due to the arrangements in place, such debit balances do not incur interest charges and the Group position must always result in a net deposit balance as there is no borrowing facility. Therefore, such accounts are presented net as cash and cash equivalents on the face of the Consolidated and Company Statement of Financial Position.

Risk management

The Group is exposed through its activities to the following financial risks:

Liquidity risk

At 30 September 2017 the Group's cash and short term deposits amounted to £9,785,000 (2016: £8,273,000). The Group had no financial borrowing obligations.

All financial liabilities are due within five years.

Management does not consider liquidity to be a key risk.

Credit risk

Sales are made on a basis designed to minimise so far as possible the risk of non-payment in each case. Balances owing from customers are reviewed at least monthly, and action is taken where considered appropriate with a view to achieving timely settlement, see note 16.

The Group and Company are continually reviewing the credit risk associated with holding money on deposit in banks and seek to mitigate this risk by spreading deposits between banks with high credit status.

Foreign currency risk

The Group's foreign exchange transaction exposure arises principally in the UK subsidiaries from trading with US subsidiary undertakings and third parties in Europe and the Far East. The Group's policy is to reduce exposure to revaluation of monetary assets and liabilities. Under the policy, assets and liabilities held in currencies other than a Company's functional currency are minimised through intercompany trading.

The Group considers the volatility of currency markets over the year to be representative of the potential foreign currency risk it is exposed to. The main currency the Group's results were exposed to at the year end was the US dollar and over the year the volatility of this currency was 9.8% (2016: 11.3%). If Sterling had strengthened against the dollar at year end by 10% it would have increased the Group profit by £152,000 (2016: increased Group profit by £64,000). If Sterling had weakened against the dollar at year end by 10% it would have decreased the Group profit by £185,000 (2016: decreased Group profit by £78,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

The table below shows the extent to which Group companies have monetary assets/(liabilities) in currencies other than their local currency.

Functional currency of operation:	2017				2016			
	Sterling £'000	US\$ £'000	Euro £'000	Total £'000	Sterling £'000	US\$ £'000	Euro £'000	Total £'000
Sterling	-	(2,072)	216	(1,856)	-	875	172	1,047
US dollar	4,084	-	-	4,084	4,084	-	-	4,084

Derivative financial instruments at fair value through profit or loss

At the current and prior year end, the Group had no forward contracts outstanding that are held at fair value through profit or loss.

Fair value of financial assets and financial liabilities

Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

Level 1: Quoted prices in active markets for identical items (unadjusted).

Level 2: Observable direct or indirect inputs other than Level 1 inputs.

Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures some items at fair value which are all classified as Level 3, with the exception of the cash flow forward foreign exchange contract which is classified as level 2:

- Financial instruments (notes 2, 14 and 18); and
- Deferred consideration receivable (notes 10 and 16).

The Group's finance team performs valuations of financial items for financial reporting purposes, including Level 3 fair values. Valuation techniques are selected based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information.

The fair value technique has not been used to value the Group's equity investment, however cost is not materially different to fair value in the Board's opinion.

The deferred consideration receivable on the sale of the House of Moves cash generating unit has been discounted at a rate of 8% and translated into Sterling at the spot rate at 30 September 2017. If management's estimate of the applicable discount rate differed by 1% the fair value of the deferred consideration would increase/decrease by £6,000 and there would be a corresponding increase/decrease in the interest recognised in the profit for the period of £2,000. If the spot rate at 30 September 2017 had increased by 10% the fair value of the deferred consideration receivable would have decreased by £15,000 with a corresponding decrease in the profit for the year. If the spot rate at 30 September 2016 had decreased by 10% the fair value of the deferred consideration receivable would have increased by £19,000 with a corresponding increase in the profit for the year.

The contingent consideration payable on the purchase of IMeasureU Ltd has been discounted at a rate of 35% and translated into Sterling at the spot rate at 30 September 2017. If management's estimate of the applicable discount rate differed by 1% the fair value of the deferred consideration would increase/decrease by £13,000. If the spot rate at 30 September 2017 had increased by 10% the fair value of the deferred consideration payable would have decreased by £95,000 with a corresponding increase in the profit for the year. If the spot rate at 30 September 2017 had decreased by 10% the fair value of the deferred consideration payable would have increased by £117,000 with a corresponding decrease in the profit for the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

For more detailed information in relation to the fair value measurement of the items above, please refer to the applicable notes.

Financial instruments held for trading purposes

The Group does not trade in financial instruments.

The carrying value of the Group and Company's financial assets and liabilities is as follows:

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Financial assets				
Loans and receivables				
Trade receivables	8,456	9,831	-	-
Other debtors	16	180	-	-
Accrued income	476	404	-	-
Deferred consideration receivable	170	2,045	-	385
Amounts due from customers for contract work	-	653	-	-
Cash and cash equivalents	9,185	8,273	2,698	3,309
Available for sale				
Equity investment	69	69	69	69
Assets held for sale				
Yotta Surveying	3,047	-	1,000	-
At 30 September	21,419	21,455	3,767	3,763

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Financial liabilities				
Other financial liabilities				
Trade payables	2,386	2,359	95	69
Provisions	185	185	-	-
Derivative financial liability	-	158	-	158
Contingent consideration payable	1,050	-	-	-
Accruals	2,509	2,449	560	507
Liabilities directly associated with assets held for sale				
Yotta Surveying	584	-	-	-
At 30 September	6,714	5,151	655	734

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders.

The Group considers its capital to comprise ordinary share capital, shares to be issued, share premium and accumulated retained earnings. The foreign currency translation reserve and cash flow hedging reserve are not considered capital. There have been no changes in what the Group considers to be capital from the prior year.

In order to maintain or adjust its working capital at an acceptable level and meet strategic investment needs, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets.

The Group does not seek to maintain any debt to capital ratio, but will consider investment opportunities on their merits and fund them in the most effective manner.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

19. Deferred tax

	Group Deferred tax asset £'000	Group Deferred tax liability £'000	Company Deferred tax asset £'000	Company Deferred tax liability £'000
At 1 October 2015	632	(2,174)	335	-
Credited to the income statement (note 8)	(236)	800	(92)	-
Disposal of subsidiary undertakings	(127)	(87)	(122)	-
Charged directly to equity	42	(179)	25	-
At 30 September 2016	311	(1,640)	146	-
Credited to the income statement (note 8)	74	357	22	-
Charged directly to equity	37	(3)	64	-
Reclassified as held for sale	(45)	79	-	-
Arising on acquisition of subsidiary	-	(412)	-	-
At 30 September 2017	377	(1,619)	232	-

The following table summarises the provided tax asset and liability.

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Recognised – asset				
Depreciation in excess of capital allowances	12	34	6	4
Tax relief on unexercised employee share options	236	203	226	142
Short term timing differences	174	74	-	-
	422	311	232	146
Included in assets classified as held for sale	(45)	-	-	-
Deferred tax asset	377	311	232	146
Recognised – liability				
Recognition of intangible asset	(803)	(453)	-	-
Tax on gain on discontinued operations – deferred consideration	(15)	(407)	-	-
Capital allowances in excess of depreciation	(880)	(780)	-	-
	(1,698)	(1,640)	-	-
Included in liabilities directly associated with assets classified as held for sale	79	-	-	-
Deferred tax liability	(1,619)	(1,640)	-	-

Deferred tax assets and liabilities have been measured on an undiscounted basis at an effective tax rate of 17% and 38% (30 September 2016: 17% and 38%) in the UK and USA, respectively. As at 30 September 2017, the Group has un-provided deferred tax assets of £649,000 arising on unrelieved trading losses for which recoverability is not certain (2016: £649,000). The gross amount of these losses is £3,819,000 (2016: £3,819,000).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

20. Other liabilities

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Deferred income	286	321	-	-
Contingent consideration payable (note 26)	717	-	-	-
	1,003	321	-	-

The deferred income above relates to revenue from support contracts which cover a period of more than 12 months from 30 September 2017.

The contingent consideration payable relates to the acquisition of IMeasureU Limited during the year.

21. Provisions

	Group £'000	Company £'000
At 1 October 2016	185	-
Charged to income statement – leasehold dilapidations	-	-
At 30 September 2017	185	-

Leasehold dilapidations relate to the estimated cost of returning the Group's leasehold properties to their original state at the end of the lease in accordance with the lease terms.

22. Share capital

	2017 £'000	2016 £'000
Allotted, called up and fully paid		
123,052,402 shares of 0.25p (2016: 121,327,208 ordinary shares of 0.25p)	308	303

During the year ended 30 September 2017 1,676,174 shares (2016: 3,892,409 shares) were issued relating to share options that were exercised.

At 30 September 2017 options were outstanding over 7,714,222 ordinary shares of 0.25p each (2016: 4,128,564) including those held by directors as follows:

Number of shares over which options granted	Exercise price	Exercise period
1,800,000	0.00p	December 2019 to December 2026
1,812,750	0.25p	September 2015 to September 2022
77,194	31.18p	September 2015 to September 2023
50,000	33.12p	March 2015 to March 2022
179,278	35.43p	March 2016 to March 2025
3,795,000	59.06p	September 2019 to July 2027

Details of directors' interests in share options are shown in the Report on Remuneration.

The market price of the ordinary shares at 30 September 2017 was 58.75p (2016: 45.71p) and the range during the year was 44.00p to 60.25p (2016: 41.00p to 50.25p). Shares to be issued are detailed in the Statement of Changes in Equity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

23. Share based payments

The Group operates a number of share based remuneration schemes for employees introduced in 2001. Under these schemes the board can grant options over shares in the Company to employees of the Group. Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is 10 years. Awards under the share based remuneration schemes are generally reserved for employees at senior management level and above.

Options granted under the share based remuneration schemes generally become exercisable on the second anniversary of the date of grant. Exercise of an option is subject to continued employment. Options were valued using the Monte-Carlo option-pricing model. No performance conditions were included in the fair value calculations, except for market-related conditions.

A reconciliation of option movements over the year to 30 September 2017 is shown below:

	2017		2016	
	Number '000	Weighted average exercise price (pence)	Number '000	Weighted average exercise price (pence)
Outstanding at 1 October	4,129	16.63	8,021	15.01
Granted	5,595	40.06	-	-
Exercised	1,676	26.66	(3,892)	13.30
Forfeited	334	39.27	-	-
Outstanding at 30 September	7,714	30.46	4,129	16.63
Exercisable at 30 September	2,053	4.14	2,598	17.83

The weighted average share price at the date of exercise for options exercised during the year ended 30 September 2017 was 49.64 pence (2016: 46.71 pence).

Share options outstanding at the year end

Range of exercise prices (pence)	2017			2016		
	Weighted average exercise price (pence)	Number of shares (‘000)	Weighted average contractual remaining life (years)	Weighted average exercise price (pence)	Number of shares (‘000)	Weighted average contractual remaining life (years)
0.00	0.00	1,800	9	-	-	-
0.25	0.25	1,813	5	0.25	1,814	6
19.75 – 23.42	-	-	-	19.75	148	3
24.59	-	-	-	24.59	1,142	6
31.18	31.18	77	6	31.18	77	7
33.12	33.12	50	5	33.12	50	6
35.43	35.43	179	7	35.43	832	8
55.94	-	-	-	55.94	65	1
59.06	59.06	3,795	10	-	-	-

The total charge for the year relating to employee share based payment plans was £142,000 (2016: £103,000), all of which related to equity-settled share based payment transactions. After tax, the total charge was £128,000 (2016: £86,000).

In line with IFRS 2, options which were granted before 7 November 2002 and that had vested at 1 October 2006 have been ignored for the purposes of estimating the charge for share based payments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

There were no options granted in the year ended 30 September 2016. The assumptions used in the calculation of the fair value of the options granted during the year ended 30 September 2017 were as follows:

	LTIP	Other
Expected volatility (%) ⁽¹⁾	37.6	37.8
Expected life (years) ⁽²⁾	5	5
Risk free rate (%) ⁽³⁾	0.68	0.43
Exercise price (pence)	0.00	59.06
Vesting period (years)	1-3	1-3
Option life (years)	10	10

Notes

- (1) The expected volatility is based on historical volatility over the last 5 years.
 (2) The expected life is the expected period to exercise.
 (3) The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

The weighted average grant date fair value of options granted in the year ended 30 September 2017 was 18.47p.

24. Movement in reserves

The movement in reserves are disclosed fully within the Consolidated and Company Statement of Changes in Equity on pages 24 and 25. The description of the nature and purpose of each reserve within owner's equity is as follows:

Reserve	Description and purpose
Share capital	Amount subscribed for share capital at nominal value.
Shares to be issued	Shares to be issued to Bartle Bogle Hegarty in exchange for services received.
Share premium account	Amount subscribed for share capital in excess of nominal value.
Foreign currency translation	Gains/losses arising on retranslation of the net assets of overseas operations into Sterling.
Retained earnings	Cumulative net gains and losses recognised in the consolidated income statement.
Cash flow hedging reserve	Gains and losses arising on the effective portion of hedging instruments carried at fair value in a qualifying cash flow hedge.

25. Assets and liabilities classified as held for sale

During the year the Board announced its intention to dispose of the Yotta Surveying cash generating unit.

The following major classes of assets and liabilities relating to Yotta Surveying are classified as held for sale in the consolidated statement of financial position at 30 September 2017.

	Yotta Surveying £'000
Goodwill and intangible assets	961
Property, plant and equipment	99
Deferred tax asset	45
Inventory	10
Trade and other receivables	1,332
Cash and cash equivalents	600
Assets held for sale	3,047
Trade and other payables	505
Deferred tax liability	79
Liabilities associated with assets held for sale	584

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

An impairment loss of £1,609,000 on the measurement of the Yotta Surveying cash generating unit goodwill to fair value was recognised and included within administrative expenses during the year.

Within the Company the investment in Yotta Surveying Limited of £1,000,000 has been classified as held for sale. There are no liabilities associated with assets held for sale.

An impairment loss of £6,558,000 was recognised and included within administrative expenses during the year in Oxford Metrics plc on the measurement of the investment in Yotta Surveying Limited to fair value.

26. Business combinations

On 27 June 2017 the Group purchased 100% of the share capital of IMeasureU Limited, a company registered in New Zealand, whose principal activity is the provision of computer software for a total consideration with a provisional fair value of up to £3,224,000. This includes deferred contingent consideration with a fair value on the date of acquisition of up to £1,116,000 subject to certain performance conditions being met. At the reporting date the fair value of deferred contingent consideration has been adjusted to £1,050,000 as a result of foreign exchange movements. The purchase has been accounted for as an acquisition.

All intangible assets have been recognised at their respective provisional fair values. The period of assessment of these provisional values remains open up to a maximum of 12 months from the relevant acquisition date. As at the year end the assessment was not complete and accordingly the fair values presented are provisional. The residual excess over the net assets acquired, including intangible assets, is recognised as goodwill in the financial statements.

The total provisional goodwill arising on acquisition was £1,076,000 which is subject to an annual impairment review.

The provisional fair value of the business assets acquired was as follows:

	Book value £'000	Provisional Fair valuation £'000	Provisional Fair value £'000
Intellectual property	26	2,422	2,448
Property, plant and equipment	7	-	7
Inventory	2	-	2
Accounts receivable	44	-	44
Other debtors	1	-	1
Cash	66	-	66
Accounts payable	(1)	-	(1)
Other creditors	(7)	-	(7)
Deferred tax liability	-	(412)	(412)
Net business assets acquired	138	2,010	2,148

Consideration:	£'000
Cash	2,108
Deferred contingent consideration	1,116
Total provisional consideration	3,224
Provisional goodwill arising	1,076

The cash consideration paid, net of cash acquired of £66,000 was £2,042,000.

The intangible assets acquired as part of the business combination significantly relate to intellectual property.

The main factors leading to the recognition of goodwill are the presence of certain intangible assets, such as the assembled workforce of the acquired entity, that do not qualify for separate recognition and synergistic cost savings that result in the Group being prepared to pay a premium.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

The contingent consideration is denominated in New Zealand dollars and is dependent upon certain revenues being achieved in the period commencing on the date of acquisition and ending on 30 September 2019. The fair value of the contingent consideration payable has been measured using a discount rate of 35%. The contingent consideration is payable 20 days after each earn out review date. The undiscounted value of possible outcomes is between £nil and £2,900,000.

The acquired business contributed revenues of £74,000 and a loss before tax of £132,000 to the Group for the period from 27 June 2017 to 30 September 2017. If the acquisition had occurred on 1 October 2016, Group revenue from continuing operations would have been £29,353,000 and profit before tax from continuing operations would have been £3,343,000. These amounts have been calculated using the Group's accounting policies.

The costs associated with the acquisition of IMeasureU Limited amounted to £137,000 and have been recognised as an expense in the year. They have been included within the income statement as part of administrative expenses.

27. Capital commitments

At 30 September 2017 the Group had no capital commitments contracted but not provided for (2016: £nil).

28. Contingent liabilities

There are no material contingent liabilities requiring disclosure at 30 September 2017 (2016: None).

29. Pensions

The Company operates a defined contribution pension scheme for the benefit of the UK employees. The assets of the scheme are administered by trustees in a fund independent from those of the Group. The amount charged under this scheme to the income statement during the year was £451,000 (2016: £448,000).

Pension contributions are also paid for the benefit of US employees under the 401k savings plan scheme, a US government savings scheme. The amount charged under this scheme to the income statement during the year was £58,000 (2016: £39,000).

30. Government grants

During the year £89,000 (2016: £990,000) of Government grants were recognised in the income statement. These grants significantly relate to funding for research projects.

There are no unfulfilled conditions or other contingencies attached to the government grants recognised in the current or prior periods.

31. Commitments under operating leases

At 30 September 2017 the Group had the following gross minimum lease payments under non-cancellable operating leases:

	Land and Buildings	
	2017	2016
	£'000	£'000
Not later than one year	419	365
Later than one year and not later than five years	2,012	232
Later than five years	887	-
	3,318	597

At 30 September 2017 the total future minimum sublease payments expected to be received under non - cancellable subleases was £179,000 (2016: £nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

32. Dividends

	2017 £'000	2016 £'000
Equity – ordinary		
Final 2016 paid in 2017 (1.00 pence per share)	1,224	-
Final 2015 paid in 2016 (0.65 pence per share)	-	784
Special paid in 2016 (3.75 pence per share)	-	4,520
	1,224	5,304

The directors are proposing a final dividend in respect of the financial year ended 30 September 2017 of 1.20 pence per share (2016: 1.00 pence per share) which will absorb an estimated £1,477,000 of shareholders' funds. This dividend will be paid on 8 March 2018 to shareholders who are on the register of members at close of business on 15 December 2017 subject to approval at the AGM. These dividends have not been accrued in these financial statements.

33. Related party transactions

The key management personnel are deemed to be the directors. During the year short term employee benefits of £985,000 (2016: £1,052,000) were paid to the directors. In addition share based payments of £115,000 (2016: £64,000) were charged to the income statement in respect of share options held by the directors. For further information see note 7.

The Company has outstanding balances and transactions with its subsidiaries as set out below:

	Outstanding balances		Transactions in year	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Vicon Motion Systems Limited	6,119	2,981	3,138	(6,428)
Vicon Motion Systems, Inc	670	561	109	(363)
Yotta Surveying Limited (formerly Yotta Limited)	615	7,135	(6,520)	(520)
Yotta Limited (formerly Mayrise Limited)	3,649	345	3,304	(908)
Mayrise Systems Limited	(123)	-	(123)	-
OMG Life Limited	-	-	-	(354)
OMG, Inc.	(6,415)	(4,933)	(1,482)	(119)
	4,515	6,089	(1,574)	(8,692)

Outstanding balances are unsecured and repayable on demand, they do not carry interest. Consideration for these outstanding balances is expected to be in the form of cash or through the transfer of services.

The transactions in the year include head office recharges to subsidiaries of £2,639,000 (2016: £2,530,000). Other transactions arise from treasury cash management between the Company and its subsidiaries.

The amount receivable from OMG Life Limited is stated net of a provision of £2,621,000 (2016: £2,889,000) and the amount recognised as a credit in the year in respect of doubtful debts from related parties was £268,000 (2016: expense of £882,000).

During the year West Eight Investments Limited, a company in which Roger Parry is a shareholder, invoiced Oxford Metrics plc £30,000 for consultancy services. At the year end the balance outstanding was £nil.

Nick Bolton, David Deacon, Catherine Robertson, Adrian Carey and Julian Morris are also shareholders of Pimloc Limited. During the year the Company invoiced Pimloc Limited £67,000 to recover costs paid by Oxford Metrics plc on their behalf. At the year end the balance outstanding was £5,000. Oxford Metrics plc have also paid a rent deposit on behalf of Pimloc Limited of £8,000 which is included in prepayments at the year end.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

Dividends received by directors of the company during the year were as follows:

	2017 £'000	2016 £'000
Anthony Simonds-Gooding	-	46
Roger Parry	2	-
Jonathon Reeve	-	1
Adrian Carey	2	8
Julian Morris*	-	416
Nick Bolton	18	79
David Deacon	9	37
Catherine Robertson	14	63

* On 17 May 2016 Julian Morris transferred his entire shareholding to himself and his wife as the Trustees of The Appleton Trust. The Trust has been established primarily for a class of potential beneficiaries including Julian Morris, his wife and members of their family. Dividends received by the Trust during the year were £81,000.

COMPANY INFORMATION

Company registration number:	3998880
Registered office:	6 Oxford Industrial Park Yarnton Oxfordshire OX5 1QU
Directors:	Roger Parry (Non-executive Chairman) Jonathon Reeve (Non-executive Director) Adrian Carey (Non-executive Director) Julian Morris (Non-executive Director) Nick Bolton (Chief Executive) David Deacon (Finance Director) Catherine Robertson (Executive Director)
Secretary:	Catherine Robertson
Bankers:	National Westminster Bank plc 121 High Street Oxford OX1 4DD
Solicitors:	Goodman Derrick LLP 10 St Bride St London EC4A 4AD
Broker and nominated advisor:	N+1 Singer Advisory LLP 1 Bartholomew Lane London EC2N 2AX
Registrars:	Link Asset Services 34 Beckenham Road Beckenham Kent BR3 4TU
Auditors:	BDO LLP Level 12, Thames Tower Station Road Reading Berkshire RG1 1LX

Notice of Annual General Meeting

This document is important and requires your immediate attention. If you are in any doubt as to what action to take you are recommended to consult your stockbroker, solicitor, accountant or other independent adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all of your ordinary shares in Oxford Metrics plc, you should pass this document, together with the accompanying form of proxy, to the person through whom the sale or transfer was made for the transmission to the purchaser or transferee.

Oxford Metrics Plc Notice of annual general meeting

Notice of the annual general meeting which has been convened for 22 February 2018 at 2.30pm at Oxford Metrics plc, 6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU is set out below.

To be valid, forms of proxy must be completed and returned in accordance with the instructions printed thereon so as to be received by the Company's registrars, Link Asset Services, PXS 1, 34 Beckenham Road, Kent, BR3 4ZF as soon as possible and in any event not later than 48 hours (excluding days that are not a working day) before the time appointed for holding the meeting.

Notice is hereby given that the 2018 annual general meeting of Oxford Metrics plc (the "Company") will be held at 6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU on 22 February 2018 at 2.30pm for the following purposes:

Ordinary business

1. To receive and adopt the financial statements of the Company for the financial year ended 30 September 2017 and the reports of the directors and auditors on those financial statements.
2. To reappoint BDO LLP as auditors of the Company and to authorise the directors to determine the auditors' remuneration.
3. To declare a final dividend of 1.2 pence per share on each of the Company's ordinary shares for the financial year ended 30 September 2017.
4. To re-elect Nick Bolton who retires by rotation in accordance with the Company's articles of association and offers himself for re-appointment by general meeting, as a director of the Company.
5. To re-elect David Deacon who retires by rotation in accordance with the Company's articles of association and offers himself for re-appointment by general meeting, as a director of the Company.
6. To re-elect Catherine Robertson who retires by rotation in accordance with the Company's articles of association and offers herself for re-appointment by general meeting, as a director of the Company.

Special business

As special business to consider and, if thought fit, pass resolution 7 as an ordinary resolution and resolutions 8, 9 and 10 as special resolutions. For special resolutions to pass, at least three-quarters of the votes cast must be in favour of the resolution.

7. That the directors be and are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 (the "Act") to exercise all the powers of the Company to allot shares in the Company and grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £153,815.

This authority shall apply in substitution for all previous authorities (but without prejudice to the validity of any allotment pursuant to such previous authority) and shall unless previously revoked, varied or renewed by the Company in general meeting, expire on 21 February 2023, save that the Company may before such expiry make any offer or agreement which would or might require shares to be allotted or rights granted to subscribe for or convert any security into shares after such expiry and the directors may allot shares or grant such rights in pursuance of any such offer or agreement as if the power and authority conferred by this resolution had not expired.

8. **Special Resolution.** That, subject to the passing of resolution 7 above, the directors be and are hereby generally and unconditionally given power for the purposes of section 570 of the Act to allot equity securities (within the meaning of section 560 of the Act and to include the sale of treasury shares as referred to in section 560(3) of the Act) for cash pursuant to the authority conferred by resolution 7 above, in each case as if section 561 of the Act did not apply to any such allotment, provided that this power shall be limited to:
- (a) the allotment of equity securities in connection with an offer or pursuant to a rights issue, open offer or other pro-rata issue made to:
 - i) the holders of shares in the Company in proportion (as nearly as may be practicable) to the respective numbers of shares held by them; and
 - ii) holders of other equity securities, as required by the rights of those securities or, subject to such rights, as the directors of the Company otherwise consider necessary, and the directors of the Company may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and
 - (b) the grant of options to subscribe for shares in the Company, and the allotment of such shares pursuant to the exercise of options granted, under the terms of any share option scheme adopted or operated by the Company; and
 - (c) the allotment of equity securities, other than pursuant to sub-paragraphs (a) and (b) above of this resolution, up to an aggregate nominal amount of £30,763.

This power shall (unless previously renewed, varied or revoked by the Company in general meeting) expire on 21 February 2023, save that the Company may before the expiry of this power make any offer or enter into any agreement which would or might require equity securities to be allotted, or treasury shares sold, after such expiry and the directors may allot equity securities or sell treasury shares in pursuance of any such offer or agreement as if the power conferred by this resolution had not expired.

9. **Special Resolution.** That the Company be and is hereby generally and unconditionally authorised for the purposes of section 701 of the Act to make market purchases (as defined in section 693(4) of the Act) of ordinary shares of 0.25 pence each in the capital of the Company ("Ordinary Shares") in such manner and on such terms as the directors of the Company may from time to time determine, and where such shares are held as treasury shares, the Company may use them for the purposes set out in sections 727 or 729 of the Act, including for the purpose of its employee share schemes, provided that:
- (a) the maximum number of Ordinary Shares authorised to be purchased is 12,305,240;
 - (b) the minimum purchase price which may be paid for any Ordinary Share is 0.25 pence (exclusive of expenses); and
 - (c) the maximum purchase price which may be paid for any Ordinary Share is the higher of (in each case exclusive of expenses):
 - i) an amount equal to 105% of the average of the middle market quotations for an Ordinary Share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made; and
 - ii) an amount equal to the higher of the price of the last independent trade and the highest current independent bid as derived from the London Stock Exchange's trading system known as SEAQ; and this authority shall take effect on the date of passing of this resolution and shall (unless previously revoked, renewed or varied) expire on the conclusion of the next annual general meeting of the Company after the passing of this resolution or, if earlier, 15 months after the date of passing of this resolution, save in relation to purchases of Ordinary Shares the contract for which was concluded before the expiry of this authority and which will or may be executed wholly or partly after such expiry.

10. Special Resolution. That:

- (a) the payment of the amounts of 4.5 pence and 5.0 pence per ordinary share by way of special interim dividends paid on 15 May 2015 and 10 July 2015 respectively (the "**Interim Dividends**"), and the entries in the audited accounts of the Company for the year ended 30 September 2015 whereby distributable profits of the Company were appropriated to the payments of the Interim Dividends, be and are hereby ratified and confirmed;

- (b) any and all claims which the Company may have in respect of the payment of the Interim Dividends against its shareholders who appeared on the register of shareholders on the relevant record dates (or their personal representatives (and their successors in title) if they are deceased) be waived and released and a deed of release in favour of such shareholders (or their personal representatives (and their successors in title) if they are deceased) be entered into by the Company in the form of the deed produced to the meeting and signed by the Chairman for the purposes of identification, and any Director in the presence of a witness, or any two Directors, or any Director and the Company Secretary, be authorised to execute the same as a deed poll on behalf of the Company, and that the deed of release thereafter be delivered to the Company Secretary for retention by her on behalf of the said shareholders; and
- (c) any and all claims which the Company has or may have against its Directors (whether past, present and future) arising in connection with the payment of the Interim Dividends be released and that a deed of release in favour of the Directors of the Company be entered into by the Company in the form of the deed produced to the meeting and signed by the Chairman for the purposes of identification, and any Director in the presence of a witness, or any two Directors, or any Director and the Company Secretary, be authorised to execute the same as a deed poll on behalf of the Company, and that the deed of release thereafter be delivered to the Company Secretary for retention by her on behalf of the said Directors.

By order of the Board
Catherine Robertson
Company Secretary
5 December 2017

Registered office: 6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU

The notes on voting procedures, together with explanatory notes on the resolutions to be put to the meeting, which follow, form part of this notice.

Notes:

1. Only holders of Ordinary Shares are entitled to attend and vote at this meeting. A member entitled to attend and vote at the meeting is entitled to appoint another person as his proxy to exercise all or any of his rights to attend and to speak and vote at the meeting and at any adjournment of it. Such a member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A member may only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. A proxy need not be a member of the Company. Completion and return of a form of proxy will not preclude a member from attending and voting in person at the meeting or any adjournment of the meeting.
2. A form of proxy is provided with this notice and instructions for use are shown on the form. To be effective, the completed form of proxy must be deposited at the office of the Company's registrars, Link Asset Services, PXS 1, 34 Beckenham Road, Kent BR3 4ZF, by not later than 48 hours (excluding days that are not a working day) before the start of the meeting (or any adjournment of the meeting) together with, if appropriate, the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power of authority.
3. A vote withheld option is provided on the form of proxy to enable you to instruct your proxy not to vote on any particular resolution, however, it should be noted that a vote withheld in this way is not a 'vote' in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.
4. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company at close of business on 20 February 2018 shall be entitled to attend and vote at this annual general meeting in respect of such number of shares registered in their name at that time. Changes to entries on the register of members after close of business on 20 February 2018 shall be disregarded in determining the rights of any person to attend or vote at the meeting.
5. Copies of the service agreements of the executive directors and the letters of appointment of the non-executive directors will be available for inspection during normal business hours from the date of dispatch of this notice until the date of the meeting (Saturdays, Sundays and public holidays excepted) at the registered office of the Company and will also be made available for inspection at the place of the annual general meeting for a period of 15 minutes prior to and during the continuance of the meeting.

6. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not so in relation to the same shares.
7. Except as provided above, members who wish to communicate with the Company in relation to the meeting should do so by calling our shareholder helpline on 0871 664 0300 (calls cost 12p per minute plus network extras) or, if calling from overseas, on +44 371 664 0300. Lines are open 9.00am – 5.30pm Monday to Friday. No other methods of communication will be accepted.

Explanatory notes

Report and Accounts (Resolution 1)

The directors of the Company must present the accounts to the meeting.

Reappointment and remuneration of auditors (Resolution 2)

Resolution 2 proposes the reappointment of BDO LLP as auditors of the Company and authorises the directors to set their remuneration.

Declaration of a dividend (Resolution 3)

A final dividend can only be paid after the shareholders at a general meeting have approved it. A final dividend of 1.2 pence per Ordinary Share is recommended by the directors for payment to shareholders who are on the register of members at the close of business on 15 December 2017. If approved, the date of payment of the final dividend will be 8 March 2018.

Re-election of directors (Resolutions 4, 5, and 6)

The Company's articles of association require that all directors retire at least every three years and that all newly appointed directors retire at the first annual general meeting following their appointment.

At this meeting, Nick Bolton, David Deacon, and Catherine Robertson will retire and stand for re-election as directors. Having considered the performance of and contribution made by each of the directors standing for re-election the board remains satisfied that the performance of each of the relevant directors continues to be effective and to demonstrate commitment to the role and, as such, recommends their re-election.

Directors' authority to allot securities (Resolution 7)

Your directors may only allot shares or grant rights over shares if authorised to do so by shareholders. The authority granted at the last annual general meeting will expire on the passing of this resolution or, if it is not passed, on 21 February 2023. The authority in resolution 7 will allow the directors to allot new shares in the Company or to grant rights to subscribe for or convert any security into shares in the Company up to a nominal value of £153,815.

As at 6 December 2017, the Company did not hold any shares in treasury. If the resolution is passed, the authority will expire on 21 February 2023 unless previously revoked, varied or renewed.

Disapplication of pre-emption rights (Resolution 8)

If the directors wish to allot any of the unissued shares or grant rights over shares or sell treasury shares for cash (other than pursuant to an employee share scheme) company law requires that these shares are first offered to existing shareholders in proportion to their existing holdings. There may be occasions, however, when the directors will need the flexibility to finance business opportunities by the issue of equity securities without a pre-emptive offer to existing shareholders. This cannot be done under the Act unless the shareholders have first waived their pre-emption rights.

Resolution 8 asks the shareholders to do this and, apart from rights issues or any other pre-emptive offer concerning equity securities and the grant of share options, the authority will be limited to allotment of equity securities for cash up to a maximum number of 12,305,240; ordinary shares (which includes the sale on a non-pre-emptive basis of any shares held in treasury). Shareholders will note that this resolution also relates to treasury shares and will be proposed as a special resolution.

This resolution seeks a disapplication of the pre-emption rights on a rights issue so as to allow the directors to make exclusions or such other arrangements as may be appropriate to resolve legal or practical problems which, for example, might arise with overseas shareholders.

If given, the authority will expire on 21 February 2023.

Authority to purchase own shares (Resolution 9)

In certain circumstances, it may be advantageous for the Company to purchase its own shares and resolution 9 seeks the authority from shareholders to continue to do so. The directors will continue to exercise this power only when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase earnings per share and is in the best interests of shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account when exercising this authority.

Any shares purchased in this way will be cancelled and the number of shares in issue will be reduced accordingly, save that the Company may hold in treasury any of its own shares that it purchases pursuant to the Act and the authority conferred by this resolution. This gives the Company the ability to re-issue treasury shares quickly and cost-effectively and provides the Company with greater flexibility in the management of its capital base. It also gives the Company the opportunity to satisfy employee share scheme awards with treasury shares.

Once held in treasury, the Company is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of the shares. Further, no dividend or other distribution of the Company's assets may be made to the Company in respect of the treasury shares.

The resolution specifies the maximum number of Ordinary Shares that may be acquired and the maximum and minimum prices at which they may be bought.

Resolution 9 will be proposed as a special resolution to provide the Company with the necessary authority. If given, this authority will expire at the conclusion of the next annual general meeting of the Company in 2019 or, if earlier, the date which is 15 months after the date of passing of the resolution.

The directors intend to seek renewal of this power at subsequent annual general meetings.

Ratification of Interim Dividends paid in 2015 (Resolution 10)

A technical issue has arisen in respect of the special interim dividends of 4.5 pence (£5,102,000 in aggregate) and 5.0 pence (£5,872,000 in aggregate) per ordinary share paid by the Company to shareholders on 15 May 2015 and 10 July 2015 (the "Interim Dividends"). When the Company paid the Interim Dividends, although the Company had sufficient distributable profits to pay these dividends at the payment dates, as a result of the disposal of the group's defence business in April 2015, relevant accounts (as defined in the Companies Act 2006 (the "Act")) showing the requisite level of distributable profits had inadvertently not been filed at Companies House, as required by the Act. As a result, the Interim Dividends were paid in technical infringement of the Act.

The Company has been advised that it may technically have claims against past and present shareholders who were recipients of an Interim Dividend to recover the amount paid by way of the relevant dividend. The Company has no intention of pursuing any such claims.

Similarly, the Company may also technically have claims against those Directors who participated in the meetings of the Board of Directors at which the decisions were taken to pay the Interim Dividends. Again, however, it is not the intention of the Company that any such claim should be made by the Company against its Directors.

This matter can be remedied by the shareholders passing a resolution which puts shareholders and Directors into the position in which they were always intended to be. Resolution 10, which is proposed as a special resolution, is to ratify the appropriation of profits to the payment of each of the Interim Dividends, to waive any rights of the Company against the shareholders (or their estates in the case of any deceased shareholders) who received the Interim Dividends, to waive any rights of the Company against both past and present Directors in respect of the Interim Dividends and to approve the Company entering into deeds of release in favour of such shareholders and Directors.

Copies of the form of the deeds of release (referred to in resolution 10) to be entered into are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Company up to the day prior to the meeting, and on the day of the meeting at the place of the AGM until the close of the meeting.

As a result of their interest in its subject matter, the Directors who are also shareholders will not vote on this Resolution unless no other votes are cast either for or against the Resolution, in which case the Directors may vote in order to ensure that a decision is taken.

Form of Proxy

Notes for completion of the proxy form

1. As a member of the Company you are entitled to appoint another person as your proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You must follow the appointment procedures set out in these notes.
2. Completion and return of this proxy form or appointment of a proxy electronically using the CREST electronic proxy appointment service will not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the chairman of the meeting, insert their full name in the box. If you sign and return this proxy form with no name inserted in the box on page 73, the chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf at the meeting, you will need to appoint someone other than the chairman and give them the relevant instructions directly.
4. If you appoint a proxy to vote on your behalf at this annual general meeting, your voting rights will revert to you at the conclusion of the annual general meeting or any adjournment of the annual general meeting.
5. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. To appoint more than one proxy, please insert the name of each proxy to be appointed in the box on page 73 and insert in brackets after each name the number of shares in respect of which each respective proxy is appointed.
6. To direct your proxy how to vote on the resolutions, please indicate how you wish your vote to be cast by placing 'X' in the appropriate column. To abstain from voting on a resolution, select the relevant "Vote withheld" box. Please note that a vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you either select the "Discretionary" option or if no specific direction as to how you wish your vote to be cast is given, your proxy may vote or abstain, at his or her discretion. On any other business which is put before the meeting (including a motion to adjourn the meeting or to amend a resolution) the proxy will vote (or abstain from voting) at his or her discretion.
7. To be valid, this proxy form must be:
 - (a) completed and signed;
 - (b) sent or delivered to Link Asset Services, PXS 1, 34 Beckenham Road, Beckenham BR3 4ZF; and
 - (c) received by Link Asset Services, no later than 48 hours (excluding days that are not a working day) before the time of the meeting.
8. If a member is a company, this proxy form must be executed under its common seal (or such form of execution as has the same effect) or executed on its behalf by a duly authorised officer of the company or an attorney for the company. A copy of the authorisation of such officer or attorney must be lodged with this proxy form.
9. If this proxy form is executed under a power of attorney or any other authority the original power or authority (or a duly certified copy of such power or authority) must be lodged together with this proxy form.
10. In the case of joint holders, any one holder may sign the form of proxy but all the names of the joint holders should be stated on this proxy form. If more than one of the joint holders purports to appoint a proxy, the appointment submitted by the most senior holder will be accepted to the exclusion of the appointment(s) of the other joint holder(s), seniority being determined by the order in which the names of the joint holders stand in the register of members of the Company in respect of the joint holding (the first-named being the most senior).
11. If you submit more than one valid proxy appointment in respect of the same shares, the appointment received last before the latest time for the receipt of proxies will take precedence.
12. Any alterations made to this form should be initialled.
13. You may not use any fax number or email address or other electronic address provided in this proxy form to communicate with the Company for any purposes other than those expressly stated.

If you have any queries completing this form please contact Link Asset Services on telephone number 0871 664 0300 (calls cost 12p per minute plus network extras) or, if calling from overseas, on +44 371 664 0300. Lines are open 9.00am – 5.30pm, Monday to Friday.

Form of Proxy

For use at the annual general meeting to be held at 6 Oxford Industrial Park, Yarnton, Oxfordshire, OX5 1QU on 22 February 2018. Before completing this form, please read the explanatory notes opposite.

I/We

Of.....
being [a] member[s] of Oxford Metrics plc (the “**Company**”), hereby appoint the chairman of the meeting or (see note 3)

as my/our proxy (see note 4) to attend, speak and vote for me/us on my/our behalf at the annual general meeting of the Company to be held on 22 February 2018 and at any adjournment of the meeting.

I/We have indicated with an ‘X’ in the appropriate spaces how I/we wish my/our votes to be cast and direct the proxy to vote as indicated.

If this form is signed and returned without any indication as to how my/our proxy shall vote, my/our proxy may exercise his or her discretion as to both how he or she votes (including as to any amendments to the resolutions) and whether or not he or she abstains from voting.

I/we authorise my/our proxy to vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

Resolution. (Place X in appropriate box)	For	Against	Withheld	Discretionary
Ordinary business				
1. To receive and adopt the financial statements for the year ended 30 September 2017				
2. To re-appoint BDO LLP as auditors and authorise the directors to fix their remuneration				
3. To declare a final dividend				
4. To re-elect Nick Bolton as a director				
5. To re-elect David Deacon as a director				
6. To re-elect Catherine Robertson as a director				
Special business				
7. To authorise the directors to allot shares pursuant to section 551 of the Companies Act 2006 (the “Act”)				
8. To authorise the directors to allot shares pursuant to section 570 of the Act as if section 561 of the Act did not apply				
9. To authorise the Company to make one or more market purchases of ordinary shares in the company				
10. To ratify Interim Dividends paid in 2015				

Signature(s)Date2018

Signature(s)Date2018

[Please return in envelope supplied]

