SCISYS

SCISYS PLC

Annual Report and Financial Statements
for the year ended 31 December 2017

17

INNOVATIVE.
GROWING.
SCISYS
30 YEARS OF LONG-TERM GROWTH

Our purpose and strategy

SCISYS began in 1980 believing in the opportunities for software.

The SCISYS Group is a leading developer of IT solutions and services. We are dedicated to our mission of empowering leading organisations and agencies to achieve their goals by creating and delivering quality software solutions.

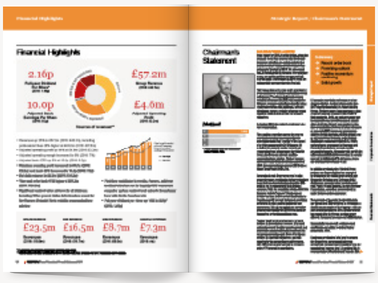
We develop robust, real-world application solutions and products and provide supporting services that create real business benefit to a wide range of customers in diverse markets.

The SCISYS strategy has always been to invest in innovation and acquisition for long-term growth.

SCISYS

London Stock Exchange AIM

STRATEGIC REPORT HIGHLIGHTS



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Chairman's Statement

Looking back, operational and financial highlights

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Finance Director's Report

A closer look at 2017 revenues, profit and financial performance

pg. 18-19

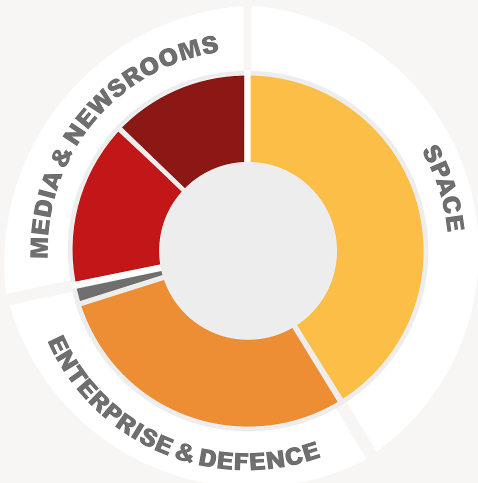
Our Business Strategy & Model

A look at our strategic objectives, business model and KPIs

Financial Highlights

2.16p
Full-year Dividend Per Share*
(2016: 1.96p)

10.0p
Adjusted Basic Earnings Per Share
(2016: 9.2p)

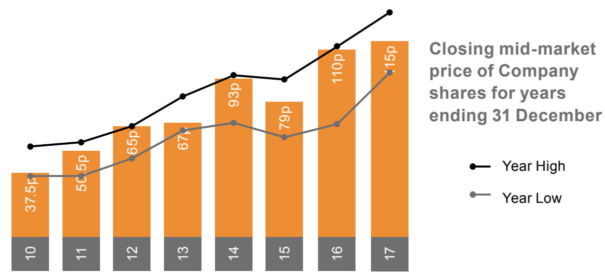


Sources of revenues**

£57.2m
Group Revenue
(2016: £45.7m)

£4.6m
Adjusted Operating Profit
(2016: £3.2m)

- Revenues up 25% to £57.2m (2016: £45.7m), including professional fees 28% higher at £48.0m (2016: £37.6m)
- Adjusted operating profit up 44% at £4.6m (2016: £3.2m)
- Adjusted operating margin increased to 8% (2016: 7%)
- Adjusted basic EPS up 9% at 10.0p (2016: 9.2p)
- Statutory operating profit increased to £4.7m (2016: £2.8m) and basic EPS increased to 11.5p (2016: 7.6p)
- Net debt reduced to £5.9m (2016: £10.2m)
- Year-end order book 41% higher at £91.3m (2016: £64.6m)
- Significant contract wins achieved in all divisions, including €18m ground station infrastructure award for the German Heinrich Hertz satellite-communications mission



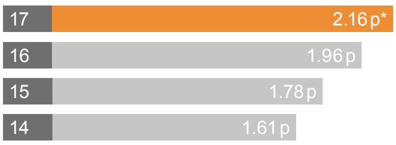
- First-time contributor to results, Annova, achieves a critical milestone on its flagship BBC newsroom computer system contract and extends its customer base with North American win
- Full-year dividend per share up 10% to 2.16p* (2016: 1.96p)

SPACE DIVISION	ESD DIVISION	M&B DIVISION	ANNOVA SYSTEMS
£23.5m	£16.5m	£8.7m	£7.3m
Revenues (2016: £19.9m)	**Revenues** (2016: £16.7m)	**Revenues** (2016: £8.0m)	**Revenues** (2016: n/a)

* Dividend figure subject to shareholder approval at the AGM.
** Xibis is represented by the dark grey slice of the pie chart. Xibis revenues for 2017 were £0.9m (2016: £0.9m).

Chairman's Statement

Dividend



* Dividend figure subject to shareholder approval at the AGM.

EARLIER OPTIMISM JUSTIFIED

In my report for 2016, I advised that, given the strength of our then current order book and short-term pipeline, we anticipated that the growth we were seeing would continue into at least the first half of 2017. We also noted that, in keeping with the pattern over previous years, we anticipated that our second half-year financial performance in 2017 would be substantially stronger than the first half.

This was, indeed, the case and I am pleased to report that our optimism and guidance was well placed. The Group delivered a strong overall performance in 2017, with results for full-year revenues and adjusted profits being comfortably in line with guidance. It is also pleasing to report a positive advance on net margins, which is in line with our strategic objectives.

Going into 2018 the outlook continues to be very encouraging.

The positive news flow across the year on new business wins was crowned by the announcement in late October of the award of a €18m contract with OHB System AG to deliver the ground station control and communications infrastructure for Heinrich Hertz, the German national satellite-communications mission. Further contract wins across the Group in the last quarter of 2017 also meant that we entered 2018 with a record order book of £91.3m.

Operational cash flows were very healthy across the year, resulting in further reductions in net debt and underpinning a healthy 10% uplift in the recommended final dividend payment. With the acquisition of the ANNOVA Systems GmbH ("Annova") business our income streams (which are predominantly in £ sterling and €) are well balanced, providing an internal hedge against exchange-rate movements. We do not anticipate any major impact on profitability in 2018 from currency fluctuations or hedging adjustments.

Further detail on the performance of each division is given below. However, it is worth noting the overall healthy organic growth and impressive contract wins that contributed to our strong operating cash flows. Our Space division in particular deserves a specific mention for its extraordinary achievement, with 18% year-on-year growth in revenues and a 17% growth in contribution.

In Summary

- Record order book
- Promising outlook
- Positive momentum continuing
- Solid growth

Of strategic note is the performance of our Annova division. A primary focus going into 2017 was the integration of Annova into the Group. We have started a programme to align Annova's internal processes with SCISYS' high standards. Solid, on-going progress can be reported here. Its performance is closely aligned with the Group's expectations at the time of acquisition. Delivery of a key milestone on Annova's BBC newsroom contract was achieved in late summer, with the system now on air in the West Midlands and in Salford. Significant contract wins with MDR, ARD's national news programme in Germany and Corus in Canada have strengthened its geographic footprint. Synergies with our Media & Broadcast (M&B) division resulted in a major new win for M&B with RTL in France, where our dira! system is already on air.

In addition to winning the Heinrich Hertz project, our Space division has extended its footprint in the Galileo project while our Enterprise Solutions and Defence (ESD) division has seen key wins late in the year with Public Health England, and the Forestry Commission, as well as new work with a major defence prime contractor.

The strength of the order book within both our Space and ESD divisions is resulting in a significant expansion of their teams – with an associated recruitment drive. Similar growth has resulted in the Group opening a new office in Dortmund to house our M&B division.

Strategically we are well positioned and confident in our ability to deliver further progress in 2018.

Contingency planning is in hand to protect the Group from any potential adverse operational consequences resulting from the negotiations between the UK and the EU, in respect of the UK's withdrawal from the EU. ▷

Strategic Report / Chairman's Statement

We believe that SCISYS is well positioned in the short to medium term and that our ESD division might even gain from the situation. Any impact is likely to be felt by our Space division, albeit that the division has continued to win contracts in this current period of pre-Brexit uncertainty which extend beyond the proposed Brexit date, which is encouraging.

The Board continues to explore a wide range of Brexit options. While we very much welcome the UK government's strong support for the UK's continued participation in EU-funded space programmes (EGNOS, Galileo & Copernicus) and hope to see further clarity on this position during the negotiations for the transition-stage arrangements, we are nevertheless preparing a range of tactical options (including the option of re-domiciling, while retaining our AIM listing and associated UK tax benefits) to mitigate the possible effects of Brexit on our Space business post-March 2019 should negotiations not prove favourable.

Key financials reflect the success

In the year ended 31 December 2017, SCISYS posted overall revenues of £57.2m, which were up 25% on last year (2016: £45.7m). Within this figure, professional fees were 28% higher at £48.0m (2016: £37.6m). The Group delivered an adjusted operating profit of £4.6m (2016: £3.2m), a 44% uplift on 2016. The operating profit was £4.7m (2016: £2.8m). A reconciliation between the adjusted and statutory operating profit measures appears in the Finance Director's Report. Adjusted basic earnings per share were 10.0p (2016: 9.2p); basic earnings per share were 11.5p (2016: 7.6p). Cash generation remained healthy and this resulted in a net inflow of £4.5m (2016: £2.1m). The Group's net-debt position was £5.9m at year's end (2016: £10.2m). At 8% (2016: 7%), our adjusted operating margin has improved. The year-end order book was at a record level at £91.3m (2016: £64.6m).

Our people are the key to our success

As always, our thanks rightly go to all of our staff within the divisions, who actively implement our corporate core values of trust, respect and openness, combined with prudence and balanced growth. Their hard work and ability to deliver the business solutions that our customers need, within tight budgets and timescales, is the key factor to the on-going relationships that SCISYS enjoys with its many and varied long-standing customers. Our thanks also go to all of our staff within the Group's central functions, who provide essential services and valued support to the Group and who have made an important contribution to these results.

Dividend

An interim dividend of 0.59p per share was paid on 9 November 2017. The Directors are now proposing a final dividend of 1.57p per share, subject to approval by shareholders at the Annual General Meeting on 28 June 2018. The proposed final dividend will be paid on 27 July 2018 to shareholders on the register at 6 July 2018. The shares will go ex-dividend on 5 July 2018. This would make the dividend for the full year to 31 December 2017 2.16p per share (2016: 1.96p) and maintains our stated strategy of progressive dividend growth.

Governance matching our needs

We are committed to high standards of corporate governance. We have strong governance frameworks in place throughout the Group in balance with our risks. SCISYS is currently compliant to the extent appropriate for a company of its size with the UK Corporate Governance Code, and is looking to adopt the QCA Corporate Governance Code during the course of 2018.

LOOKING TO THE FUTURE

The key elements of the Group's strategy remain unchanged. We continue to focus on balanced revenue growth and margin improvement, as well as management/control of risk and succession planning.

Outlook

We are pleased with the healthy organic growth in revenues achieved in 2017. Our strong second-half trading performance, combined with steadily reducing levels of net debt and a record year-end order book provides a solid platform to deliver further progress in 2018 and beyond.

Based on current performance on projects and our order pipeline across the entire Group, the Directors remain fully confident in the prospects of the Group's future organic growth. We will also continue to look for opportunity, where there is a good market, product and cultural fit, to grow through acquisition.

Dr. Mike Love
Chairman

OUR PURPOSE AND STRATEGY

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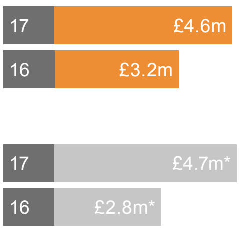
Chief Executive's Review

SCISYS Group	2017	2016
	£m	£m
Revenue	**57.2**	45.7
Professional fee revenues	**48.0**	37.6
Operating margin	**8%**	7%

Adjusted operating profit (£m)



* Operating profit

2017: A STEP CHANGE FOR SCISYS TOWARDS ITS MEDIUM-TERM STRATEGIC OBJECTIVES

In last year's report I expressed my confidence based on the progress achieved in 2016 that we would be able to continue our sustainable, resilient and balanced growth in 2017.

I am delighted to confirm that we have ended the period with record revenues of £57.2m (up 25%), an adjusted operating profit of £4.6m (up 44%) and adjusted operating margin of 8%. This is a step change in our performance and it brings us closer to our medium-term objectives of £60m in revenues and a double-digit margin. Two major elements have contributed to this improved performance:

- Annova, the Munich-based newsroom solutions specialist, has contributed its first full year to the Group's results.
- The other divisions have contributed a very healthy 9% organic revenue growth during 2017, based on a strong second half year, which is in line with our expectations expressed in September 2017.

Across all of our divisions we have seen major new contract wins, which in aggregate have lifted our order book to more than £91.3m – another record achieved in 2017. The sales success story was epitomised late in 2017 by the notable win by our Space division, which secured a contract worth €18m to deliver the complete ground-control infrastructure for the German Heinrich Hertz mission.

Of this total order book value, £36.5m is for delivery in 2018. This underpins our optimistic outlook for the year ahead and strongly reinforces the confidence that our medium-term objectives are within reach.

Enterprise Solutions & Defence (ESD)

The ESD division delivered a strong second half, with its contribution up by 35% and revenues up by 9% on the first six months and thus making up for a slower first half. The division achieved robust overall results that were just short of its excellent accomplishment in 2016. It delivered full-year revenues of £16.5m and a contribution of £4.2m, equating to a margin of 25% for the division.

ESD has spent significant effort during the year preparing for further growth, including recruiting additional sales effort and new staff. These initiatives have begun bearing fruit, with the order intake exceeding £8m during the fourth quarter of 2017.

In Summary

- Step change in performance
- Record revenues
- Order book at record high
- Synergies achieved with Annova

To maximise its potential for future growth the division has started to reorganise its internal structure to serve three focal units targeting specific sectors: Defence, Security and Maritime; Government and Emergency Services; and Commercial.

All three business units have benefited from their respective healthy mix of recurring revenues and repeat business based on long-standing customer relationships, as well as new business wins in established or adjacent application domains. Contract types across ESD range from fixed-price contracts, managed budget contracts and time & materials-based contracts. During 2017, the division experienced a move towards a larger proportion of time & materials-based contracts (60%, compared with 47% in 2016), frequently delivering services at customer sites. This trend is expected to continue as clients increasingly move towards an agile project methodology.

Activities in the Defence, Security and Maritime unit were dominated by ongoing projects for electronic architectures for vehicles and vessels, bespoke development of business systems and long-term on-site time & materials contracts in the intelligence sector. In all of these realms, new opportunities evolved during the year through both new and established customer relationships. Some of these occurred in late 2017, including: an extension of a research programme for the Royal Navy's Maritime Air Defence Command; a new strategic project in the maritime defence area; and a newly established engagement with another major prime contractor for a large defence software and electronics programme.

The Government and Emergency Services business unit continued its frequently recurring long-term business with

SCISYS’ Chippenham headquarters

DIGITAL MAPPING EXCELLENCE

An app by Xibis and SCISYS has won a 'Commended Award' from the British Cartographic Society for excellence in digital mapping. The project involved an international marine chart plotter for smartphones and iPads, for our client Imray, Laurie, Norie and Wilson Ltd.

customers such as London's Metropolitan Police (the Met), The Coal Authority and the Environment Agency. Testament to these proven relationships, the Met awarded one of seven places on its Solution Provider Framework to our ESD division. In addition, the unit extended its reach by winning initial contracts with Defra, Public Health England and both parts of the newly re-organised Forestry Commission.

The Commercial business unit is well established and maintains a core of blue-chip clients, including Vodafone, UK Power Networks, Siemens, Arqiva and Transport for London. During 2017 the unit renewed its focus on the transport and logistics sector. This saw a significant increase in its business with Siemens and the team secured initial contracts with Angel Trains and Govia Thameslink Railway.

For some of these activities, ESD has benefited from joining forces with Xibis, a separate SCISYS PLC subsidiary based in Leicester, as illustrated by the joint delivery of an award-winning charting app to Imray.

On the technology and innovation front, significant effort has gone into reusable software platforms, including MACSYS for maritime applications and Cartosys for OpenGIS-based solutions. The sales team has positioned ESD on major framework contracts, which boosts the division's opportunities going forward. Divisional management and their growing teams are settling into the new structure providing well-grounded optimism for 2018 and beyond.

Media & Broadcast (M&B)

In 2017 our M&B division once again delivered a strong performance, with revenues of £8.7m (up 9%) and a contribution of £2.6m (up 4%). With a margin of 30%, its more product-biased business model delivers a level of profitability ahead of the Group average. Much of the success was secured during an impressive upturn in the second half year, which was predicted and in line with the outlook given in our interim results (revenues and contribution up 46% and 162% respectively on the first half year, with margin up to 37% from 21%).

During 2017 the M&B division relied on its strong recurring revenues from maintenance contracts and repeat business from its long-established customer base in Germany and the UK. This provided a sound foundation for its strong performance.

In line with its growth objectives, the division also focused on opportunities in new territories. This led to an initial win for a radio pilot project with the Malaysian public broadcaster RTM. The ongoing project with the South African Broadcasting Corporation (SABC) successfully concluded the proof-of-concept phase and moved into deployment despite experiencing some delays to roll-out due to organisational changes at SABC later in the year. The M&B division won its first client in France with commercial broadcaster RTL. This contract was signed in April and the first programme, RTL Fun Radio, successfully went live in November, followed swiftly by RTL2.

IMAGE: CHRISTIAN DAHLMANN/SCISYS DE

SCISYS' new Dortmund location

The M&B team has worked to position the division for the medium-term future by further advancing its product innovation. The recent cloud-based products dira! More and dira! Scotty both went live in customer environments in 2017. dira! Medox is a cloud-friendly, SaaS-ready multimedia asset management solution. It was first presented to the public at the IBC convention in Amsterdam in September 2017 as the first member of the next major product generation called dira! Dimension, with positive feedback.

The joining of forces with Annova has started to bear fruit. At the BBC, the software integration of Annova's OpenMedia installation and dira! is underway. The German broadcaster MDR, which chose OpenMedia in August 2017 and has been a M&B customer since 1995, bought additional dira! licences late in the year ahead of the planned tight integration of both systems. Annova's relationship with the RTL group goes back over 10 years – as an OpenMedia customer – and RTL is now operating both SCISYS products after an order for dira!.

The M&B division is settling in at its new premises in Dortmund and has built a strong starting position for 2018. It is preparing for future success by making the investments needed to maintain its leading product offering and to prepare and exploit further synergies with Annova.

Annova

2017 is the first year of Annova's contribution to the Group's results. Its overall performance has been robust and closely aligned with our expectations at the time of its acquisition, although this did not reach the levels anticipated by the vendors' forecasts on which a significant proportion of contingent consideration was dependent. As a result the deferred consideration expected to be paid for Annova has reduced from €3.9m to €2.0m.

In June, Annova secured its first contract in North America with Corus Entertainment, which is Canada's largest media-content company. Corus is using Annova's OpenMedia newsroom product for its extensive Global News operation. The initial project phase successfully concluded in November and subsequent deliveries of this multi-year, multi-phase programme are already being discussed with the customer.

In August, Annova met an important commercial milestone in its flagship project with the BBC by concluding the implementation phase of the project and starting the subsequent transition phase. By the end of the year, OpenMedia was deployed in the BBC's major news operations centres in Salford and the West Midlands.

Also in August, German public broadcaster MDR joined Annova's customer portfolio as a new OpenMedia client when it signed a multi-million contract to, over time, replace the existing newsroom system across its entire operation. It is worth reiterating that MDR has been a key dira! customer of our M&B division since 1995.

Annova's innovative new NewsBoard product for editorial cross-media planning – complementing OpenMedia – was successfully sold to ARD-Aktuell, the national news programme of the influential German public broadcaster ARD. This project win was particularly important because it positions NewsBoard as a bellwether system for other public broadcasters. The German public broadcaster Radio Bremen became a new customer for Annova and its OpenMedia product in late 2017, adding to the impressive list of important new contracts that it managed to secure during the year.

Measures have been taken to continuously improve Annova's internal disciplines and governance regime in accordance with the demanding internal standards at SCISYS. This process will continue in 2018 and beyond.

WHAT OUR CUSTOMERS SAY

“SABC did a thorough evaluation of the existing systems on the market and SCISYS delivered the most convincing offer. Beside the technical requirements, SCISYS’ experience with large systems was of great importance to us in choosing them.”

– Dennis Herold, SABC General Manager Radio Broadcast Facilities

“OpenMedia clearly is leading in this space and we’re delighted to be their first major North American partner.”

– Gerry Belec, Dir. of Operations & Technology, Global News, part of Corus Entertainment Inc

“We are very excited about the partnership with SCISYS Space UK as this is an important step bringing us closer to building the operations of a full constellation of nanosatellites. This partnership will further boost our technological capabilities and help us build a satellite communications network infrastructure which is considered state-of-the-art in the industry.”

– Meir Moalem, Managing Director and CEO of Sky and Space Global UK

“Undertaking the virtualisation of the CRC registry was undoubtedly a significant task. That it was carried out so smoothly with minimal business disruption is testament to the close working relationship between SCISYS and the Environment Agency. The new cloud-based platform is more performant, more resilient and significantly cheaper to operate. Thank you for all your efforts in securing the future of this key UK Government service.”

– Andrew Matterson, Senior Advisor Emissions Trading, Environment Agency

“Govia Thameslink Railway has been pleased to partner with SCISYS to help develop a solution to assist our customers that have additional accessibility requirements. Working to a short timescale, SCISYS has delivered a Proof of Concept solution that works exactly as designed. This is a very exciting project and could provide a step-change in the way our customers are able to travel more freely around the rail network.”

– Jason Durk, Innovation Manager, Govia Thameslink Railway

“GM6 Group has chosen dira! to unify its playout solutions for its radios RTL2 and Fun Radio. Our editorial teams are enthusiastic adopters of dira!, which has significantly improved their workflows and is allowing them to concentrate fully on listeners. We look forward to build on the dira! system and its API to further improve our content offering and the flexibility we offer to our teams.”

– Charles-Emmanuel Bon, Directeur Exécutif Technique en charge des Développement et des Affaires Publiques, RTL France

Initial steps have been taken to bring Annova and M&B closer together. This involves cooperation on a regular basis between respective divisional management as well as day-to-day synergies, such as cross-selling and co-selling activities, joint trade shows, product and innovation as well as product delivery and support.

The divisions will gradually intensify these joint activities. This will complement Annova's growth initiatives, which centre on continued product innovation and an even stronger focus on securing new international business. Overall, Annova's outlook looks very strong, with revenues from secured orders and recurring revenues from ongoing maintenance contracts amounting to three quarters of its 2018 revenue target.

Space

Our Space division has delivered a truly stellar performance in 2017. Revenues grew year-on-year by 18% to £23.5m and the contribution grew by 17% to £4.9m. The division's order book more than doubled to £34.1m compared to the previous year. This is due in large part to the €18m contract win with OHB for the German Heinrich Hertz mission (see page 14).

A variety of additional elements have also contributed to the division's outstanding performance. Ongoing projects with institutional European space customers delivered results ahead of 2017 expectations in different application domains, including:

- Scientific missions such as the European ExoMars mission to Mars. On this programme, SCISYS is responsible for the rover vehicle visual localisation flight software and the ExoMars Mission Management System software, which controls the numerous instruments on board the rover and manages the rover's operations on the ground. SCISYS is a subcontractor to Airbus Defence and Space and Thales (Italy) on these projects, respectively, which have an aggregate value of €5.4m.
- Earth-observation missions. In one example, SCISYS has a €3.3m contract with Airbus to deliver central software and hardware for the Payload Operations Centre for the French–German climate satellite mission, MERLIN. Secondly, SCISYS signed a €1.9m contract with GMV (Spain) early in 2017 to deliver the mission-control system for the second generation of EUMETSAT's Polar System.

The recurring revenues from EU-funded Galileo projects and from the operations-support business to the European Space Agency have delivered strong results during the year. This accomplishment is particularly impressive because it was made in the climate of Brexit uncertainty surrounding EU-funded Space programmes.

SCISYS is, and will continue to be, a pan European group and as noted in the Chairman's Statement, the Board is exploring a wide range of Brexit contingency plans. Participating conditions apply to certain EU-funded work, such as the Galileo satellite-navigation programme, which require that the participant be EU based (and that the ultimate controlling company of any participant be an EU-based company) or require appropriate waivers to be obtained, for it to participate in the programme. While we could plan our Galileo activities to be carried out by our German subsidiary, which clearly satisfies the requirement of being an EU based company, SCISYS PLC, which is the ultimate holding company, will not automatically satisfy this test upon Brexit taking effect.

Detailed contingency plans are being prepared to affect a group restructure, so that the ultimate parent company of the SCISYS Group is re-domiciled and based in the EU following Brexit. The overarching objective of these plans is to protect shareholder value. The conclusion of the current negotiations between the UK Government and the EU in respect of the Brexit transition arrangements is expected to be known by late summer ▷

2018. At that juncture the Board, if necessary to protect its continued participation in the Galileo programme, will seek the necessary formal shareholder resolution(s) for the group restructure, as part of this restructuring procedure. It has every confidence that all necessary approvals will be forthcoming and thereby eliminate any risk to its continued participation in EU-funded programmes. The Board also intends to arrange early shareholder consultation and seek support for pursuing this strategy ahead of the SCISYS AGM in June 2018. Other options that are being actively considered include obtaining appropriate waivers and security ring-fencing arrangements.

The above well-established revenue streams were complemented by further new business wins, as the growth initiatives pursued by the Space division increasingly bears fruit.

Based on our proprietary PLENITER software suite for the planning, implementation, control and operation of complete satellite missions, the division has secured an €18m contract with OHB System AG to deliver the ground station control and communications infrastructure for the German national satellite-communications mission, Heinrich Hertz. This is significant because it positions SCISYS as the sole supplier of a complete ground segment for a satellite mission and this raises our profile further as a supplier of related technologies.

The division's initiatives into the commercial, so-called "New Space", sub-sector progressed well, as evidenced by the continuation of a PLENITER-based project with US-based WorldVu Satellites LLP (trading as OneWeb). Late in 2017, SCISYS added to this momentum with a contract from Sky and Space Global UK to deliver a simulator for its Pearls Constellation mission. This mission will operate approximately 200 autonomous communication nanosatellites in carefully selected orbits by 2020, giving equatorial coverage of the Earth to create an affordable global communication network and deliver voice, data and instant messaging to more than 3 billion people who are currently without mobile coverage.

The Space team has grown by 32 staff to a total of 200 at year's end. The successes of 2017 mean that the division is well positioned for sustained organic growth in the medium term.

SCISYS

SOFTWARE FOR SPACE

SCISYS has a number of software solutions for the space market, including a complete suite for operation planning and control, for meteorological satellites and for constellation management.

SOFTWARE SOLUTIONS FOR SPACE

PLENITER egmc² 2met! APEX

ANNOVA SYSTEMS

SOFTWARE FOR NEWSROOMS

OpenMedia is now the leading provider of independent planning and newsroom systems. This solution provides a modern standard in toolsets for journalist workflows, planning, rundown management and research.

SOFTWARE FOR NEWSROOMS AND PRODUCTION

OPEN MEDIA NOW VISION INFINITY NEWSBOARD RADIO

Xibis

Xibis, our SCISYS PLC subsidiary for mobile apps and website development based in Leicester with a 17-strong team, has performed broadly in line with expectations, often working in collaboration with the ESD division. With effect from 1 January 2018, Xibis will be reported as a business unit within the ESD division rather than as a stand-alone entity.

On track for further growth

At SCISYS we believe in the opportunities for innovative software systems to benefit our customers' operations. We are dedicated to achieving our customers' goals by creating and delivering quality software solutions. Our overarching commitment is to run a resilient, well balanced business that promotes sustained commercial success.

Our strategy has always been to invest in innovation and acquisition for long-term growth. The 2017 financial year has delivered in this respect and facilitated a step change in financial performance that provides a platform for SCISYS' continued success.

We have strengthened our position in established niches and have moved into adjacent markets on the back of our expert know-how, versatile skills and our commitment to innovation. Our sales people have opened up new territories and started to explore new sectors. We are continuously investing in our proprietary products and reusable software platforms.

Integration between Annova and M&B has already brought immediate successes. For 2018 we expect that Annova will benefit from the major contract wins secured during the second half of 2017 and will increasingly meet SCISYS' high internal process and governance standards. As the integration activities continue we are confident that additional synergies will evolve and strengthen SCISYS' profile further in the growing segment of system automation and control solutions for the media and broadcast industry.

SCISYS is a people business and much of our success is attributable to our exceptional team. A significant number of both highly talented graduates and more experienced staff have recently been welcomed into the fold. During 2017, our staff headcount grew

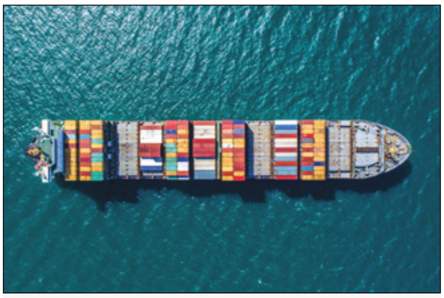
SCISYS

SOFTWARE FOR BROADCAST

The dira! suite of software is targeted at radio operations for large broadcasting enterprises. It solves the problem of a fast-moving industry by using software to automate, replace hardware and bring efficiency.

SOFTWARE FOR RADIO AND BROADCAST

dira!



SCISYS

SOFTWARE FOR FLEETS AND VEHICLES, DIGITAL MAPPING

SCISYS has developed its own software for specific market segments. These include MACSYS (used for maritime and fleet management) and Cartosys (used for digital mapping applications).

SOFTWARE FOR FLEETS AND VEHICLES	SOFTWARE FOR MAPPING
MACSYS seaf	Digiright cartosys NIP Network Intelligence Portal

by 28% across the Group – 8% across the UK, 16% in Germany (not including Annova) and 52% including Annova.

It is a fundamental strength of our business that we maintain an emphasis on our core corporate values of mutual trust, respect and openness. This is hugely important for fostering and evolving our corporate culture in line with our values, as well as for our strategic objectives as the business continues to grow. This applies equally to the envisaged integration of Annova, on which we will keep working during 2018. We are pleased that the sound cultural fit with SCISYS that we were expecting at the outset of 2017 has proved correct.

Solid foundation and firm trajectory

Our record order book of £91.3m, in combination with a strong and growing stream of recurring revenues, is testimony to the robustness of our business model. We anticipate that organic revenue growth will continue in 2018 and beyond. Progressing from this solid foundation, we will take all required measures – including additional central requirements (e.g. for cyber security and business continuity) – to ensure the high level of sustainability that we owe our shareholders, customers and staff.

Once again my sincere thanks go to our shareholders, our customers, our management, staff and all other stakeholders, who have strongly supported SCISYS in 2017. The Group has continued to make excellent progress during the year and we are confident in our ability to deliver further progress in 2018: expanding the business in a sustainable, resilient, balanced way for the benefit of our shareholders, customers and staff.

Klaus M. Heidrich
Chief Executive

Risk and viability statement

Executive Directors and divisional directors meet at divisional board and subsidiary board meetings, as well as interacting frequently informally, to review the risks and opportunities facing the business, the controls established to reduce those risks and the effectiveness of these controls in operation, on an on-going basis. The aim of these reviews is to provide reasonable assurance that material risks and problems are identified and appropriate action is taken at an early stage. The SCISYS PLC Board confirms that procedures to identify, evaluate and manage any significant risks faced by the Group have been in place throughout the year.

The annual strategic and financial plan is reviewed and approved by the Board. Financial results with comparisons between planned and forecast results are reported on at least a monthly basis by the divisions and subsidiaries and discussed at the corresponding board meetings, together with a report on sales, operational achievements, objectives and issues encountered. These reports are supplemented by interim monthly financial information as appropriate. Significant variances from plan are discussed and actions set in place to address them, and also discussed at Board meetings. Approval levels for authorisation of expenditure are at levels set and cascaded throughout the management structure, with any expenditure in excess of predefined levels requiring approval from one or more Executive Directors and selected senior managers.

Accordingly the Directors confirm that they have carried out a robust assessment throughout the year of the principal risks facing the Group, including any that would threaten its business model and future financial performance and liquidity. It follows that the Directors have a reasonable expectation that the Group will continue in operation and to meet its liabilities as they fall due throughout the next, and the following two, accounting periods.

Finance Director's Report

In Summary

- Total revenues 25% higher
- Adjusted operating profit up by 44%
- 10% uplift in dividend*
- Net debt reduced to £5.9m

* Subject to shareholder approval at the AGM.

I am pleased to report that the rally in trading that we predicted in our Interim Report came to fruition in the second half of 2017, lifting the first-half figures to produce an admirable full-year result.

Both revenues and underlying operating profits reached historic highs and strong cash flows have made a significant dent in the net-debt position that peaked in December 2016 with the injection of additional borrowings to fund the ANNOVA Systems GmbH (Annova) acquisition.

REVENUES

Total revenues for the year were 25% higher at £57.2m (2016: £45.7m), of which the component relating to professional fees was £48.0m (2016: £37.6m). 48% of total revenue was from Eurozone customers (2016: 49%).

Following a welcome gain in value against the pound in 2016, the euro strengthened again in 2017, which boosted the Group's revenue figures.

PROFITS

Since 2007 the Board has gauged the underlying performance of business using an adjusted operating profit measure that excludes the costs of the Group's long-term share incentive schemes, exceptional items and any amortisation of intangible assets arising on business acquisition. Internal reporting is exclusively based on adjusted performance measures to facilitate comparison between financial years and publicly available research notes on SCISYS published by financial analysts focuses on these same measures. Adjusted operating profit was up 44% on 2016 at £4.6m (2016: £3.2m), while statutory operating profit was £4.7m (2016: £2.8m). The adjusted and statutory operating profit measures reconcile as follows:

	2017	2016
	£m	£m
Adjusted operating profit	**4.6**	**3.2**
Share based payments	-	-
Amortisation of intangible assets comprising consolidation	(2.0)	-
Exceptional items	2.1	(0.4)
Statutory operating profit	**4.7**	**2.8**

2017 exceptional items totalled £2.1m and reflect the combination of a credit arising from the reassessment of contingent consideration payable under the Annova earnout arrangement and accrued UK Research & Development (R&D) tax credits. These exceptional items are explained in further detail later in this report. By contrast, 2016 exceptional items represented charges of £0.4m for non-capitalisable legal and professional fees relating to the Annova acquisition.

On the acquisition of Annova on 31 December 2016, IFRS 3 required SCISYS to make fair-value consolidation adjustments to the Annova balance sheet. Intangible assets for fair-value recognition comprised the 2016 year-end order book and the internally developed intellectual property rights in Annova's OpenMedia product. Recognition of these assets in the 2016 consolidated Group balance sheet resulted in non-cash amortisation charges to the 2017 income statement of £2.0m (2016: £nil).

Share-based payment charges were immaterial following the lapse of option awards granted in 2015, owing to the failure to achieve the associated three-year performance criteria.

The Group's results were less adversely impacted by variations in the euro–pound exchange rate than in previous years for two reasons. First, the funding structure for the Annova acquisition and the sterling-based cash flows of its contract with the BBC served to bring the Group's overall currency requirements more into balance, whereas in previous years the Group generated substantial surplus euro income from its German operations and UK-based space market activities. Second, although the currency-hedging contracts taken out in 2016 to convert anticipated surplus euros in 2017 into pounds went significantly out of the money following the EU referendum vote in June 2016, the devaluation was largely reflected in the 2016 accounts.

The Group has not entered into any external currency-hedging contracts for 2018 and beyond. Intra-Group hedging contracts will be used to balance the Group's currency exposures across its subsidiary companies.

While revenues benefited from a stronger euro, the same foreign-exchange rate movement increased the sterling value of our euro-denominated costs in Germany. However, on a constant-currency basis, and excluding exceptional items, Group overheads – representing the costs for provision of shared business services to the divisions – were 4% lower than in 2016 at £8.0m (2016: £8.2m).

EPS

Adjusted basic EPS, calculated on the profit for the year before post-tax exceptional items, share-based payments and amortisation of acquisition-related intangible assets, were 9% higher at 10.0p (2016: 9.2p). Basic EPS were 11.5p (2016: 7.6p).

CASH AND DEBT

The Group closed the year with bank deposits (net of overdrafts) of £8.0m (2016: £6.7m), while Group borrowings amounted to £13.9m (2016: £16.9m). This resulted in net debt of £5.9m (2016: £10.2m).

Cash flow in 2017 was particularly strong for two reasons. First, anomalies in timing of two 2016 year-end receipts reversed in the first half of 2017 and did not recur, boosting bank balances by £1.9m. Second, the first earnout payment to Annova's former owners of £1.7m in September was more than covered by receipt from the BBC of a significant milestone payment in August.

Unutilised working capital facilities at the year-end totalled £4.3m (2016: £4.4m).

ANNOVA SYSTEMS

Annova contributed to Group earnings for the first time in 2017 following completion of its acquisition at the end of 2016. Strategically the acquisition remains highly favourable. The order book is building as sales success expands Annova's geographical footprint and cross-fertilisation of the customer base with our Media & Broadcast division continues to gain momentum.

Pre-acquisition due diligence identified that governance and management controls procedures were not as mature as those in the wider SCISYS Group, so during 2017 the Board conducted a thorough review of Annova's financial disciplines and reporting processes. Annova management's financial forecasts for 2017 proved over-optimistic as we had anticipated because they were flagged as a specific risk area during due diligence. This prompted SCISYS to adopt a purchase consideration structure that placed significant emphasis on performance during the three-year earnout period, 2016 to 2018.

The total purchase price payable for the Annova acquisition is linked both to average profitability and achievement of key commercial milestones in its flagship contract with the BBC. Annova successfully obtained customer acceptance for a critical phase of this project in August, three months earlier than had been provided for in the acquisition balance sheet. This triggered payment of a first earnout instalment of €2.0m in September 2017, of which 10% was satisfied in new SCISYS PLC shares, with the balance paid in cash from existing Group resources.

Annova's over-performance in the first earnout year of 2016 raised expectations in the 2017 Interim Report for the level of contingent consideration that would eventually be payable by SCISYS to Annova's former owners. Since publication of the first half-year results, Annova management has been included in the detailed Group business planning process for 2018–21. Application of planning and forecasting policies consistent with those across the rest of the Group has resulted in scaled-back expectations for Annova in 2018. This led to a reduction in the Group's anticipated liabilities for earnout payments and resulted in an exceptional credit to 2017's Income Statement of £1.6m.

The fair value of remaining contingent consideration for earnout payments included in the consolidated financial statements is £nil (2016: £3.3m). This compares with a contractual cap of £12.9m (2016: £14.6m).

TAX

The effective Group tax rate for the year was 15% (2016: 15%).

SCISYS continues to benefit from the tax-credit system for UK expenditure on R&D in SMEs, receiving credits in the form of cash rebates from HM Revenue & Customs. Up to and including 2016, these were incorporated into the net tax charge. An accounting standard change requires R&D tax credits from 2017 to be treated as deductions from operating expenses. SCISYS anticipates that it will no longer qualify under the SME tax credit scheme in 2018 as it expects to exceed the headcount-eligibility threshold, lifting SCISYS into the scheme for Large Enterprises, where credits are significantly less generous. Accordingly, the above-the-line tax credit of £0.5m in 2017 is treated as an exceptional item.

The 2017 tax charge reflected the benefit of an adjustment to prior-year credits in respect of UK tax. A conservative estimate of £0.5m for receipt of R&D tax credits was included in the 2016 accounts, whereas the amount actually received was £0.7m.

ACCOUNTING STANDARDS

No material changes in accounting standards have impacted the Group accounts for 2017. The next significant change affecting SCISYS will be in 2018, when IFRS 15: Revenue from contracts with customers will be adopted. Detailed analysis by the SCISYS Board has established that implementation of the new standard will have a negligible impact on the phasing of anticipated operating profits, although reported revenues will be depressed compared with previously applied treatment. The reduction reflects provisions in the standard whereby only the mark-up on third-party costs can be recognised as revenue in situations where SCISYS acts in the capacity of an Agent, simply passing the third-party's goods and services to customers through its books. If IFRS 15 had been applied in 2017, revenues would have been £5.5m lower than reported and operating profits would have been unaffected.

SHARE OPTIONS

During the year a total of 0.4m share options were exercised, of which 0.3m were granted in 2008 under the Enterprise Management Incentive scheme for which the exercise window closed at the end of 2017. All 0.3m outstanding options under the 2015 CSOP award lapsed during the year due to the failure to achieve the three-year performance criteria as a consequence of the disappointing results in 2015. Option awards in 2016 and 2017 remain in the money and on track to vest in full.

ORDER BOOK

Boosted by the October contract award from OHB Systems for the Heinrich Hertz satellite-communications mission ground segment infrastructure, the year-end order book was at a record level, 41% ahead of the prior-year at £91.3m (2016: £64.6m). Of this total, £36.5m (2016: £31.2m) is invoiceable within one year and £51.8m (2016: £38.4m) within two years. The longer-term balance principally reflects Annova's contract with the BBC, which runs to at least 2027. 57% (2016: 34%) of the total order book value was denominated in euros.

Chris Cheetham
Finance Director

INNOVATIVE. GROWING. SCISYS
30 YEARS OF LONG-TERM GROWTH

Business Strategy & Model

OUR STRATEGY & PURPOSE

At SCISYS, we strive to create premium value for our customers based on our excellence in a variety of niche markets. We have demonstrated this fundamental capability for more than three decades, flexibly responding to the ever-changing market demands in a fast-moving software industry with our well balanced portfolio of solutions, services and products.

Based on this foundation, we continue to aspire to grow our commercial success in a balanced and resilient way, providing systems and services that form an indispensable part of our customers' value generation, helping us to establish and maintain long-term relationships.

Trusted relationships with all our stakeholders are essential to progress our vision. Honesty, transparency and respect are the core of our corporate values. Our corporate culture focuses on commitment and flexibility and we rely on our excellent staff, who help us innovate in line with customer and market needs, frequently as thought leaders.

OUR BUSINESS MODEL

Our value proposition

The depth and breadth of our knowledge and experience ensures that customers with complex issues can rely on us. Our business model shows how we seek to deliver sustainable value to our shareholders by achieving top-line sales, profit and margin growth. Viewed from the perspective of staff, healthy growth delivers career opportunities and the upholding of SCISYS' values and culture. For customers, this inspires confidence in the long-term prospects of the Group.

SCISYS' solutions empower leading organisations and agencies to achieve their business goals. We combine and apply leading-edge knowledge and technology to solve complex problems by delivering reliable, robust solutions. In many cases, this requires a deep understanding of the wider context of how the software is being operated and the expert ability to connect it to the real world. This is a valuable capability that generates important know-how that we can exploit in similar or other fields. We believe our markets have scope for continued growth and that our skills and products will continue to be valued in them.

Our projects are usually critical to our customers' operational success so our impeccable record of delivery performance is important to them. Value is achieved because the vast majority of our client relationships are

OUR VISION

To prosper by delivering premium value to customers. To live an ethos of excellence. To benefit from mutually respectful relationships.

OUR MISSION

Our mission is to empower leading organisations and agencies to achieve their goals by creating and delivering quality software and IT solutions and services.

long-term and on-going. All of these factors result in an ability to win contracts when bidding against larger companies.

Key markets, segments & relationships
The market-facing divisions within the SCISYS Group drive their businesses with a high degree of autonomy, positioning themselves as experts and recognised thought leaders in their respective markets. Each one of our divisions focuses on a variety of vertical markets, in which they have been active for many years. They excel using their specialised, in-depth sector-specific domain knowledge and their proven technical and programmatic capabilities.

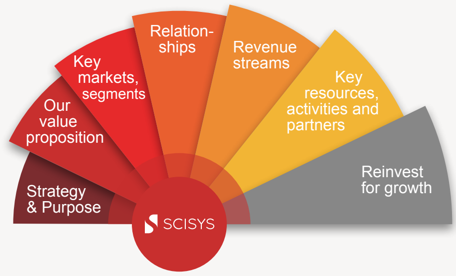
The majority of our customers across all sectors are blue-chip organisations. Many of them are in the public sector, such as the European Space Agency, major public broadcasters, non-government institutions and government departments, although the balance of work with commercial customers is increasing.

Long-term relationships with our customers and business partners are fundamental to our business, and we strive to maintain these relationships over many years, if not decades. Frequently and increasingly we work directly for the end customer but we also engage with business partners on various levels. Large system integrators act as our prime contractors when we work as a sub-contractor, particularly in the space and defence sectors. Wherever needed, we complement our own capabilities by involving specialists, premium suppliers of standard hardware and software products and reputed research institutes. Local agents also support our sales team in certain international markets.

Our diversity is what gives us a high level of resilience against changing market trends and we also benefit from sharing divisional expertise internally to innovate with customers.

Our revenue streams & outcomes
Our activities span the entire software lifecycle: engaging with customers leads to innovative concepts that we translate into high-quality, robust software solutions. We integrate these solutions on a system level in the customer's environment, where they typically become part of the customer's core infrastructure. In addition we frequently maintain and support – and even operate –

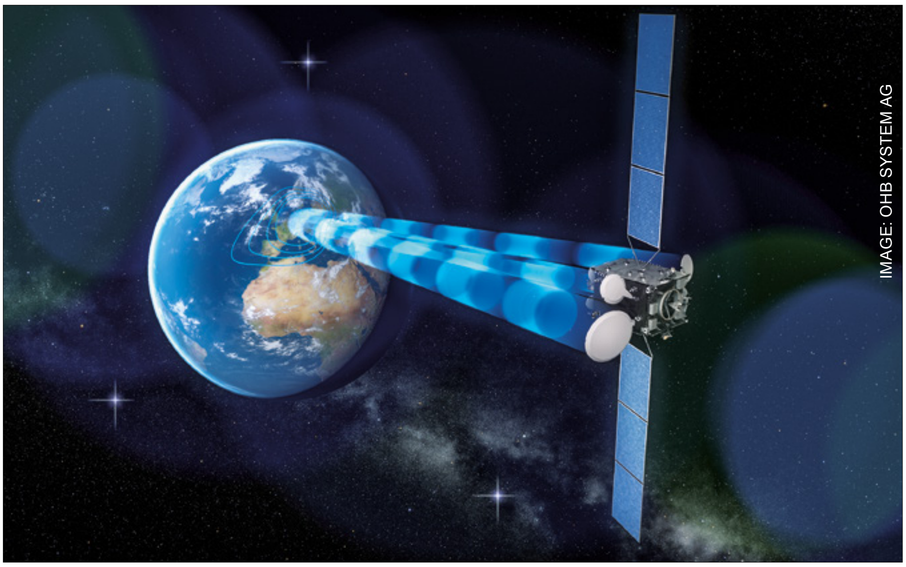
SCISYS BUSINESS MODEL



WHAT WE DO

KEY MARKETS

MEDIA & BROADCAST	SPACE (INSTITUTIONAL AND COMMERCIAL)	SECURITY & DEFENCE	GOVERNMENT
COMMERCIAL	MARITIME	RETAIL	MEDIA NEWS



systems on behalf of our customers using Cloud and other infrastructure providers.

As a consequence, the revenue streams for each of our divisions range from fixed-price contracts to time & material-based services, as well as multi-year maintenance and support contracts. In general – and particularly with Annova now being part of the Group – we increasingly add licence and royalty-based revenues as we progressively create portfolios of reusable software that allow us to employ our solutions in similar environments or in adjacent markets.

All of our divisions generate a large proportion of recurring revenues that add to the underlying strength and reliability of our business and provide us with a solid basis for future revenue, profit and margin growth. Being a successful business that excels at generating value for our customers makes us attractive for highly qualified staff, which in turn supports our objective to develop and retain a team that can deliver excellence.

Key resources, activities and partners
Our key resource is a team of more than 580 highly qualified staff, working in 7 major offices across the UK and Germany. This committed team provide us with in-depth domain knowledge and superior technical ▷

expertise. We achieve this by working to keep and recruit highly motivated, talented and skilled employees. Strong financial resources complement our team's excellence. We benefit from our strong balance sheet, a number of substantial freehold properties, long-term relationships with our financial partners and our robust working capital facilities.

Re-invest for growth

Our objective is to grow the business on a steady basis. We therefore continue to re-invest in the areas that we see are the main drivers for our business success. We constantly develop our sales team to establish new and to foster existing customer relationships and to expand into untapped regions. Permanent technical innovation, including the development of proprietary software and regular staff development, allows us to maintain our reputation as leading-edge technology experts. We invest in acquisitions to complement our organic growth aspiration; always thoroughly assessing the business benefit and cultural fit.

STRATEGIC OBJECTIVES & KEY PERFORMANCE INDICATORS

Balanced evolution, sustainable growth

Our strategic objective is to grow our business in terms of revenues, operating profit and operating margin so that we deliver sustainable long-term value to our shareholders, our customers and to our entire team. This is done in line with corporate values that are reflected in the SCISYS culture of being committed, honest, customer-focused, respectful and supportive to all of our stakeholders.

The divisions continuously broaden their pipelines of prospective clients, building on the positive reputation gained with existing clients and seeking to extend their business development and sales activities to new territories. They are also moving into adjacent areas by evolving the range of their services and products.

Our strategy for growing SCISYS also incorporates identifying acquisitions that help us to accelerate progress. We continue to select opportunities carefully and aim to acquire companies that expand our customer base, geographical reach or add unique expertise – and, most importantly, are a good cultural fit to ensure successful integration.

Progress in 2017

The key objective in 2017 for the Board was to grow the business on a year-on-year basis compared with the strong recovery made during 2016, and reflecting the acquisition of Munich-based ANNOVA Systems GmbH (Annova), which completed on 31 December 2016. Total revenue grew by 25% and the adjusted operating profit was up 44%, compared with 2016.

Taking market expectations as a guideline these targets were overachieved by 6% for revenue and 2% for adjusted EBITA.

In addition to the year-on-year comparative, the performance delivered in 2017 shows compound growth rates of 7% for revenue and 10% for adjusted EBITA over a 4-year term starting in 2013, compared with 4% and 5% respectively for the period 2012–2016. The results include the step change from the Annova acquisition. The directly comparable compound growth rates on an organic basis are 4% for revenue and 6% for adjusted EBITA.

This highlights the success of our strategic approach of balanced evolution and underpins sustainable growth in a demanding business environment.

As for our overall financial performance, we have been able to make very good progress against our strategic priorities for 2017 across all of our divisions.

Our year-end order-book position has reached a record high for the second consecutive year. It benefited from the Heinrich Hertz contract which added €18m to the order book for the Space division, and was bolstered by Annova's strong order book. The strength of the order book quantifies the progress we have made with respect to our medium-term aspirations.

We have taken action to implement the complex contract assessment process as mandated by the new IFRS 15 standard which becomes applicable from 1 January 2018. The way we implement this process in SCISYS adds to the continuous measures we take to harmonise contract review and risk management procedures across all divisions. (See pages 32 to 35).

Another priority was to improve utilisation of the Group's property. We took the initiative to market the Chippenham property assets of the Group more effectively back in 2016 and currently have 3 tenants at Chippenham. ▷

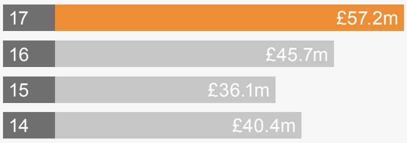
STRATEGIC PRIORITIES

OUR **STRATEGIC PRIORITIES 2017** *As per ARFS 2016	OUR **ACHIEVEMENTS DURING 2017**
We will remain focused on our growth aspiration for operating profit, operating margin, revenues and also our earnings per share (EPS).	• Operating profit (adjusted) up 44% • Operating margin (adjusted) up 13% • Revenues up 25% • Earnings per share (adjusted basic EPS) up 9%
Strategic objectives for the medium term. • **Objective: increased margins** We aim to increase our operating margin to at least 10%. • **Objective: top-line growth** We aim for revenues to grow to at least £60m. • Anticipate a corresponding increase in SCISYS' EPS	In 2016 we set our medium-term strategic objectives with a 3- to 5-year term in mind. • With total revenues we are already close to the medium-term target, much earlier than initially aspired. • We ended 2017 with an adjusted operating margin of 8%, slightly lower margin growth than 2016. The reason is that the accelerated revenue growth is partly at the expense of additional costs and therefore slower margin growth. We therefore anticipate the medium-term margin target to be delivered later than the revenue target but still within a 2- to 4-year timeframe from now. • EPS: This has increased by 9% for adjusted basic EPS and basic EPS increased to 11.5p.
The integration of Annova into the SCISYS group so that synergies with our M&B division and other parts of our business are explored early on, and initial steps are being taken to bring these to fruition.	First successes from cross-selling synergies crystallised in 2017: • Annova won MDR as a new customer which was aided by the well established long-term relationship between SCISYS and MDR, and the M&B division secured a 6-figure licence contract with MDR to integrate dira! and OpenMedia. • M&B secured its first contract with French commercial broadcaster RTL, which was supported by RTL's established relationship with Annova and their resources in the Paris-based branch office. • Integration of dira! and OpenMedia is progressing in the BBC alongside the roll-out of OpenMedia. Various other activities have started despite the ring-fencing, ranging from regular management level meetings, joint showcases at trade shows and various day-to-day contacts on working level.
Further grow the space business, particularly focusing on satellite navigation and a re-use of the newly established PLENITER product suite for satellite ground-segment solutions.	• The Space division has delivered a very strong performance during the year. Strong revenues from the growing satellite navigation business were instrumental to this success, despite frequently aired Brexit risks. • The pipeline of future opportunities was proactively grown, covering the current Galileo constellation, EGNOS and also for early study work in the Galileo Second Generation programme. • The €18m contract with OHB for German Heinrich Hertz mission is a huge success to the PLENITER business as it adds a reference for a complete satellite ground control system entirely based on SCISYS proprietary product suite.
Further raise awareness of SCISYS' expertise in the defence, security and maritime sectors, and extend the footprint of our ESD division.	ESD has successfully implemented the internal structure with three different business groups in order to strengthen its sales focus and awareness in the respective markets. • In the defence, security and maritime unit, another very promising relationship was established with a major defence system integrator which already in 2017 has contributed to ESD's revenues. An ongoing research project in the maritime defence domain was extended for a second phase in 2018 and beyond. • ESD secured one of 7 places on the Metropolitan Police's Solution Provider framework, which has a total value of £320m over 4 years in total; first call-offs are expected in 2018. • ESD has managed to grow into adjacent niches in transport, partly supported by Xibis, as it significantly increased its engagement with Siemens and won initial contracts with Angel Trains and GTR.

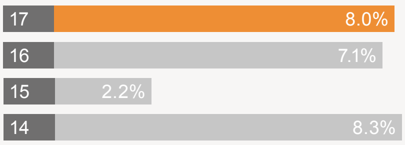
KEY PERFORMANCE INDICATORS

Measuring our progress against our strategic goals.

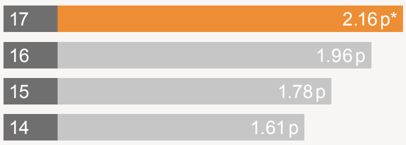
Revenue
Medium-term target of £60m revenues. 4-year CAGR starting 2016 (for £60m revenues by 2020) = 7% on average year-on-year. Achievement 2017 (on 2016): 25%.



Adjusted Operating Profit Margin
Medium-term target of min. 10% operating margin. 4-year CAGR for adjusted operating profit starting 2016 (for 10% adjusted operating profit margin by 2020) = 17% on average year-on-year. Achievement 2017 (on 2016): 44%



Dividend*



* subject to shareholder approval at the AGM

OBJECTIVES GOING FORWARD

In principle, our main strategic objectives for the medium-term remain largely unchanged. We will remain focused on our growth aspiration for operating profit, operating margin, revenues and also our earnings per share. With Annova being part of SCISYS from 2017 onwards, and the healthy growth we are seeing organically, we expect to benefit from the current momentum going forward.

- **Objective: increased margins**
  We aim to increase our operating margin to at least 10%.
- **Objective: top-line growth**
  We aim for revenues to grow to at least £60m.

Our strategic objectives of £60m revenues and double-digit operating margin in the medium term was reinstated last year. We are now increasingly confident the revenue objective is achievable within a couple of years. We also anticipate our operating profit will grow largely in line with our revenues but we expect to reach the operating margin threshold of 10% somewhat later than our revenue target.

Our expectation also includes a corresponding increase in SCISYS' EPS. Based on our track record of sustainable cash generation we plan to maintain our progressive dividend strategy.

We note that, due to the nature of our business model, we may experience half-year on half-year or year-on-year variability to a degree and therefore use compound annual growth rates as a better measure of achievement. We also retain the concept of a set of baseline targets that is complemented by a set of more aspirational targets by which we may meet our objectives earlier than assumed for the baseline.

As stated in previous reports these targets can be impacted by exchange-rate movements that are beyond our control and also continued order intake deferrals. Also the transition to the new revenue recognition accounting standard IFRS 15 in 2018 will introduce a revised approach to revenue reporting. Accordingly the exact quantification and timing of targets may be subject to externally induced changes.

Although the acquisition of Annova will continue to attract a significant amount of the Board's attention during the next years, growth through further acquisition remains a key element of our strategy. Again, the fundamental approach will not change: we will continue to look for opportunities that add value to the business by complementing our current activities.

STRATEGIC PRIORITIES 2018

For 2018 the Board will be focused on a set of key measures that will help to progress our medium-term strategy:

- The integration of Annova into the SCISYS group so that synergies with our Media & Broadcast division and other parts of our business are explored early on, so that preparations are in place for the post ring-fencing era.
- Further growing the space business, particularly focusing on satellite navigation and a re-use of the newly established PLENITER product suite for satellite ground-segment solutions.
- Further raising awareness for SCISYS' expertise in the defence, security and maritime sector, and extending the footprint of our ESD division.

Building on the initiatives started in 2015 as a response to the issues that we experienced we will continue to optimise our risk-management processes so that the inherent business risks are managed. Continued focus will be spent to bring Annova up to speed with the high standards within the SCISYS group. This forms part of our continual improvement approach which also covers succession planning, corporate structure, regular process improvement with respect to cyber security and improved forecasting as focal areas.

OUR STRATEGY IN ACTION.
HOW WE SUCCEEDED ACROSS THE GROUP IN 2017

THALES ALENIA SPACE ITALIA:
The Space division will work on activities relevant to the design, coding and verification of the Rover Mission Management Software Instruments Layer (MMS-IL) for the ExoMars RSP (Rover and Surface Platform) 2020 Mission.

High-quality customer partnerships

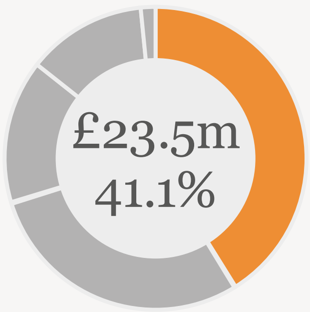
We are proud to have a list of customers that includes many of the largest, leading and distinguished organisations across Europe and the world in a broad spectrum of industries.

CORUS ENTERTAINMENT, CANADA:
Annova started 2017 by securing a contract from Canada's Corus Entertainment for a planning solution to replace an incumbent newsroom solution in Global News with the OpenMedia newsroom solution, providing new assignment, running-order management systems.

MDR, GERMANY:
MDR decided on Annova's OpenMedia product as its next-generation editorial newsroom solution, replacing a competitor's systems. Once fully rolled out, up to 1000 journalists across TV, radio and online will use OpenMedia as their central tool for planning and crafting news.

Divisions
SPACE

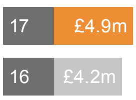
REVENUES: SPACE



% of total revenue

Revenues (£m)

Contribution



OUR POSITION

The SCISYS Space division enjoys a solid reputation in the space sector for delivering projects on time and to budget. With 200 highly qualified staff, it has grown into a substantial player in the space industry and become a long-term supplier to large space-industry prime contractors, as well as operating as a prime contractor itself. The space market consists broadly of the larger, traditional institutional/national arena, as well as the smaller, emerging commercial arena – known as “Open Space” or “New Space”. We operate in both arenas. We target these different markets from our offices in the UK and in Germany.

SCISYS Space has established itself over 30 years as a reliable and trusted partner to large system integrators (Airbus, Thales, OHB), satellite operators and European space institutions such as the European Space Agency (ESA), EUMETSAT, the UK Space Agency (UKSA) and the German Space Agency (DLR). We bid successfully to these customers for framework contracts for recurring work and foster long-term relationships with them. SCISYS seamlessly combines work for space institutions in specialist research and development with bespoke software solutions for commercial space operations. Our unique selling proposition remains a high level of professionalism, close and cooperative partnerships with customers and a successful track record.

OUR LONG-STANDING CUSTOMERS

European Space Agency (ESA)	since early 1980s
EUMETSAT	1986
IPMA/Portuguese Weather Service	1990
KNMI/Dutch Weather Service	1992
Finnish Meteorological Institute	1993
Thales Alenia Space	1994
Airbus Defence and Space	1999
DLR (the German Space Agency)	2002

Satellite- and space-based systems are the backbone of global communications, weather products, precision navigation and timing, next-generation intelligent transport systems, climate research and security. Our sector-relevant expertise spans a wealth of experience, encompassing high-integrity onboard flight software, data systems, ground-control solutions and engineering services. The division covers the broader space sectors, such as human space-flight, navigation, telecommunications, Earth Observation (EO) and exploration missions, including Artificial Intelligence (AI) and robotics, as well as related ground-system infrastructures. SCISYS is well positioned to exploit these sectors using its proprietary PLENITER software for space operations, together with its in-depth expertise,

OUR STRATEGY IN ACTION.
HOW WE SUCCEEDED ACROSS THE GROUP IN 2017

RTL, FRANCE:
The French RTL’s network Fun Radio went live with M&B’s dira! software just before Christmas 2017, while RTL2 will be operational in January 2018 followed by RTL Radio Paris. A third phase will introduce the software suite to 30 local studios across the RTL Radio network.


IMAGE: SKY AND SPACE GLOBAL

capabilities and experience in key areas of satellite missions. SCISYS is also at the forefront of developments in EO systems, including the "down-stream" sector, giving it the opportunity to re-use proven solutions for the benefit of its customers.

THE YEAR IN REVIEW

Our divisional goals have been achieved in terms of revenue, as well as in growing the order book impressively. We have consolidated and extended our position in the institutional and commercial markets.

We have been tracking the sales opportunities that have resulted in some of our 2017 key contract wins for a number of years and 2017 was the year to reap the rewards of this investment. The key milestone is certainly the Heinrich Hertz ground-segment contract, where SCISYS takes on the responsibility of implementing the ground station control and communications infrastructure for the German national satellite-communications mission, as a ground segment prime contractor to Germany's OHB.

SCISYS Space this year signed a contract with GMV for the design and implementation of a mission control system to support the EUMETSAT Polar System EO programme. This relates to the second generation of polar-orbiting satellites that will provide weather-prediction data to national meteorological services for the next two decades.

Other milestones include: winning the Mission Management System (MMS) for the ExoMars 2020 mission to Mars; the payload-operations centre for the Merlin mission; and the continuation of Galileo activities.

A new commercial customer, Sky and Space Global UK, selected SCISYS for the delivery of a network management simulator for their Pearls Constellation of nanosatellites (image above) in 2017. We also continued our close co-operation with OneWeb for its high-profile satellite programme, the world's largest satellite constellation.

All areas of the Space division have contributed to secure the business and to support the growth. Main contributors were navigation-related projects (Galileo, EGNOS), the GOF9 frame contract for ESOC, various EO projects, but also onboard software has been growing with the project for the ExoMars MMS.

TRENDS AND OUTLOOK

We continue to explore the opportunities in commercial and institutional markets for our unique and highly integrated PLENITER software suite for the planning, implementation and operation of complete satellite missions. There are growing opportunities for SCISYS to demonstrate that our PLENITER suite provides substantial benefits for commercial space missions and adds efficiencies through increased automation. The win of the Heinrich Hertz mission control system, the extension of the cooperation with OneWeb and the win of the Pearls Constellation Simulator to Sky and Space Global UK are all evidence of the progress we are making in this area.

Our mid-term strategy stands for balanced growth, focusing on both our existing and new markets worldwide. In line with this, we continue to foster long-term relationships with European institutional space customers while building new partnerships and capturing market share in the up-and-coming commercial space sector.

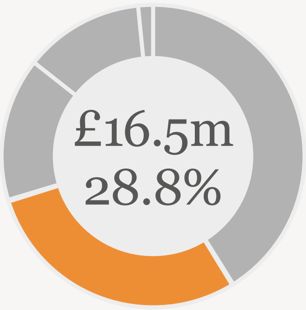
SCISYS Space, based on a substantial list of prospects for 2018 and beyond, plans to grow its business further. These plans are based upon the delivery of the large contracts won this year and further exploiting the business in navigation, operations, New Space and capitalising on opportunities in the vibrant UK space market.

ARD, GERMANY:
Annova Systems will develop a portal for ARD-Aktuell based on the ground-breaking, proprietary product OpenMedia Newsboard. This solution will give ARD's journalists a powerful web-based tool that bolsters their existing installation by providing an extended research capability.

MERLIN CLIMATE MISSION:
In line with the start of the next phase in the French-German MERLIN climate mission, the Space division received a contract from Airbus DS GmbH for the realisation of the Payload Operations Centre (PLOC) for the LIDAR instrument on the MERLIN satellite.

Divisions
ENTERPRISE SOLUTIONS & DEFENCE (ESD)

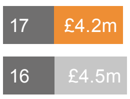
REVENUES: ESD



% of total revenue

Revenues (£m)

Contribution



OUR POSITION

ESD has a reputation as leading experts in the UK for bespoke software innovation and systems integration. We have a team of around 140 staff, all based in the UK. Across the division we specialise in robust software systems applicable to three broad business sectors: the government and emergency services; defence, security and maritime; and the commercial sector. The common thread is creating software solutions and using them in innovative ways, by drawing on reusable and proven software technology.

The division has structured its three units to maximise focus and growth. Our commercial team covers a wide spectrum of projects for a variety of commercial customers. The government team develops mainly business systems and creates engineering solutions. The largest of the three, the defence team, has a strong reputation for engineering solutions and continues to consolidate its position in providing software solutions particularly for military vehicles and vessels. It also has a strong footing in the maritime sector.

We are seen as experts in the risk management of leading-edge advanced technology projects. Our independence and experience means that we can draw on this when tackling new areas. We have a strong track record in generating systems that use robust software and are less dependent upon hardware. Our expertise is a key factor in maintaining our many multi-decade relationships.

OUR LONG-STANDING CUSTOMERS

	Since
Transport for London (TfL)	1980s
Ministry of Defence (MoD)	1980s
Environment Agency	1999
Arqiva	2000
UK PowerNetworks (**Eastern** 1994)	-2003
Edmundson Electrical	2003
Siemens (formerly Westinghouse Signals)	2004
Lockheed Martin	2005
RNLI	2009

Overall, we have a strong market position in the UK. Size-wise we occupy a sweet-spot because we can combine the twin benefits of being both robust and agile at the same time. Our customers tell us that this balance translates as a lower risk for their projects.

THE YEAR IN REVIEW

The division's revenues achieved expectations and divisional goals with top-line sales remaining stable. The year was the mid-point of a five-year strategy of establishing our three business units as independent entities, with all groups investing in sales with growth in mind. This year we generated new work from existing customers, gained new customers and achieved contract extensions and footholds on several frameworks.

OUR STRATEGY IN ACTION.
HOW WE SUCCEEDED ACROSS THE GROUP IN 2017

SKY AND SPACE GLOBAL UK:
The Space division won a contract with Sky and Space Global UK to deliver a network management simulator for their Pearls Constellation of nanosatellites. It will be a high-performance, configurable and portable solution for providing a representation of the constellation and mission operations.

A closer look at our Enterprise Solutions & Defence division

The main trend has been gaining new work and contract extensions from existing customers and having more technical staff working on customer sites on a time & materials contract basis, particularly with the UK Ministry of Defence and with Siemens. We gained work and extensions with the Coal Authority, UK Power Networks and the Forestry Commission. All of the business units have seen growth. We have ongoing work with TfL, Vodafone, Lockheed-Martin, Northrop Grumman and the Environment Agency.

Commercial

We have a long history of providing value through our software to the commercial sector. New work this year includes projects gained from Siemens on software engineering of automatic train controls and signalling systems. This has helped consolidate our position in the rail sector where we also won contracts for a prototype mobile solution from Angel Trains and work on a mobility app and help-point solutions for train platforms for Govia Thameslink Railway (GTR). Included in these projects have been elements of mobile app development by Xibis. We have been able to use their capabilities to produce both mobile and web apps for these projects as well as working with customers such as Pets at Home and Imray. Conversely, we have been able to bring our capabilities and skills to Xibis also.

Government and Emergency Services

Contracts from central government departments and agencies continue to be a rich source of business. We received substantial new contracts from the Department for Environment, Food & Rural Affairs, Defra, Public Health England and the Forestry Commission to provide software services. The Metropolitan Police framework (SPF), secured in 2017, has offered some limited bidding opportunities to date in the UK policing arena. However, our relationship with the Metropolitan Police goes from strength to strength and the number of potential opportunities on the SPF Framework is encouraging.

Defence, Security and Maritime

The defence sector remains the lynchpin of the division and we continue to make inroads into the marine and vehicles sectors. The Waterguard project continued in 2017, successfully providing software solutions to enable the MoD to be tax efficient and compliant with HMRC regulations for military equipment. We have ongoing work for the RNLI through our flagship MACSYS product, an integrated vessel management system, providing situational awareness and navigational control. This is used in the RNLI's Shannon class of lifeboats and we received fresh orders for additional craft at the end of the year – we have delivered and commissioned 26 boats at the time of writing.

SCISYS and Xibis successfully upgraded Imray's international marine chart plotter, enabling the reproduction of charts on iOS-compatible mobile devices. Xibis received an award from the British Cartographic Society in respect of its innovative app, for excellence in digital mapping, with SCISYS involvement.

TRENDS AND OUTLOOK

Entering into 2018 our strategic investments in 2016–17 are set to contribute towards continued growth across all three business units. We are well positioned to extend our footprint in the armoured vehicles sector, following from previous work on the Warrior upgrade and ongoing research and development contracts. Military vehicle programmes are key to the MoD and as an internationally recognised specialist in this area we aim to win more work in the coming years. Our MACSYS system is a strong basis from which to secure additional maritime business. We see further opportunity in the fields of cybersecurity, defence and communications.

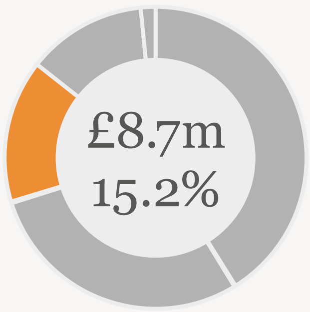
Having secured coveted places on key framework agreements, such as SPF and G-Cloud 9, we aim to reap the benefits in 2018 and beyond. Opportunities for substantial growth abound in the defence and niche maritime sector. In addition, we plan further expansion of our functionally rich family of GIS products including Cartosys, which is used by the Coal Authority, for example. We will continue to work on innovative technology in the Internet of Things arena, involving monitoring, tracking and automation, including in the rail sector, where we were successful with Siemens and GTR.

IMRAY NAVIGATOR:
ESD and Xibis collaborated to create an app for leading nautical publishers, Imray. The app allows real-time navigation on an iOS device using digital versions of Imray's paper charts. The app obtained a Commended Award from the British Cartographic Society.

GMV, EUMETSAT:
The Space division signed a contract for up to €1.9m with GMV for a mission control system to support the EUMETSAT Polar System EO programme. This relates to the second generation of polar-orbiting satellites providing weather-prediction data for national meteorological services during the 2020s and 2030s.

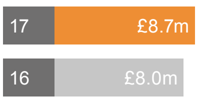
Divisions
MEDIA & BROADCAST (M&B)

REVENUES: MEDIA & BROADCAST

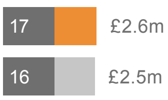


% of total revenue

Revenues (£m)



Contribution



OUR POSITION

The Media & Broadcast (M&B) division of SCISYS has a 20-year reputation for being a reliable supplier of robust, premium software solutions primarily to the institutional public broadcast market. Our core business is radio and our core product is the dira! software suite. This is a reliable and flexible suite of radio, newsroom and news-media production and playout applications, supporting the core workflows that any broadcaster needs.

SCISYS is one of the biggest operators in Europe in the radio domain and a smaller player in the global broadcast and multimedia platforms market. We specialise in the large public-service broadcast market but are gaining ground in the commercial arena.

The division has a team of 77 based in Dortmund and is structured into three profit centres that correspond to areas of geographic focus, namely the German-speaking region (Germany, Austria and Switzerland), the UK and the International segments. We continually invest in improving, enhancing and expanding our dira! suite in line with customer feedback and technological innovation.

THE YEAR IN REVIEW

Our divisional targets have been achieved for 2017. The focus at the start of the year was in line with our strategy of continuing to look after existing customers and contracts while also pursuing new work.

OUR LONG-STANDING CUSTOMERS

	Since
Norddeutscher Rundfunk NDR (DE)	1993
Mitteldeutscher Rundfunk MDR (DE)	1995
DeutschlandRadio (DE)	1996
WDR (DE)	1998
BBC	2001
VRT (Belgium)	2006
Deutsche Welle (DE)	2007
RUV (IS)	2007

Although the M&B division has moved to a new, larger location in Dortmund this year, there have been no major operational restructures. Business from the German-speaking countries remains the strongest, accounting for roughly half, while the UK is the second largest market. Additionally our ongoing project with the South African Broadcasting Corporation successfully moved into its deployment phase. Our sales, project implementation and support services are all maintained from our Dortmund Office, as is our core product development team.

The first half of the year saw several projects from 2016 completed and new customers acquired in the international domain. We have won new work in France, the United Arab Emirates and Malaysia. These include RTL, the French commercial network, and RTM, a public broadcaster in Malaysia. The project for RTL in France required

OUR STRATEGY IN ACTION.
HOW WE SUCCEEDED ACROSS THE GROUP IN 2017

FORESTRY COMMISSION:
ESD won two new contracts with the Forestry Commission in England. The first is an online managed service for Felling Licence applications which makes use of our Cartosys product. The second is the take-on and delivery of a managed-support service for two business-critical applications.

investment in adapting our dira! suite for the French market and a certain amount of product development specifically for commercial broadcasters. The contract for the Malaysian public-service broadcaster RTM is an exciting proof-of-concept newsroom system for producing, editing and playing out news stories for radio.

One of the new software products launched this year was dira! Medox, which is a multimedia content management system (CMS) that works with all file types natively. It has remodelled the traditional concept of a CMS into being more search-engine-like – which is new in the market and was launched at the International Broadcasting Conference in Amsterdam.

Collaboration with the Group's December 2016 acquisition, Annova, has been close this year, with joint workshops and strategy meetings taking place regularly. This includes knowledge exchange between the different organisational units, project implementation, sharing of expertise and making introductions to respective customers. We are already working together with respect to our own roadmap development and our latest solution, dira! Medox, has already been integrated into the new OpenMedia NewsBoard solution as a joint solution.

TRENDS AND OUTLOOK

We will continue to consolidate our position with existing customers while exploring new opportunities.

Substantial growth potential remains in the international arena. Our focus this year on France gave us a first foothold in the French market, with the influential broadcaster RTL. From this position we will continue to look to pursue more work in the French-speaking market.

Maintaining a fresh and innovative product portfolio is key to our success and we continue to respond to customer demand and invest in product development and on-air applications. The main demand from the market has been for a new generation of content management system (CMS) that can treat all file types equally. Customers are expecting more systems based in the cloud, which means that solutions are increasingly becoming web-based. We have addressed this with our dira! Dimension software, the 6th and most recent generation of dira! This has also meant investing in cybersecurity. One tool within dira! Dimension, the dira! Medox tool, also offers improved online content management functionality to meet customer expectations. Another area of demand is for greater integration between the playout and the mixing desk, which we have responded to by producing a touch-screen solution.

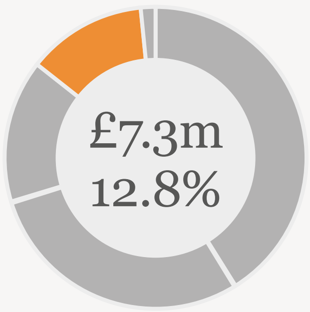
We expect further collaboration between SCISYS' M&B division and Annova. We foresee joint work, knowledge exchange on the development side, as well as joint support activities. In the future we are likely to see complementary workshare between SCISYS and Annova to create jointly enhanced versions of our respective products; we can combine our strength in the content management area with Annova's lead in the planning area.

Scotty @ BBC:
The BBC chose M&B to modernise its multimedia news delivery system with a cloud-hosted service for journalists to securely and quickly deliver multimedia news items to the BBC. This service is provided to the BBC by using the cloud-based, proprietary upload system dira! Scotty.

OHB SYSTEM AG:
Space won a €18m contract by OHB System AG to deliver the ground station control and communications infrastructure for the German national satellite-communications mission, Heinrich Hertz, as ground segment prime contractor, supplying OHB direct.

Divisions ANNOVA SYSTEMS

REVENUES: ANNOVA SYSTEMS



% of total revenue

Revenues (£m)

17	£7.3m
16	n/a

Contribution

17	£0.5m
16	n/a

OUR POSITION

Annova became part of the SCISYS group on 31 December 2016 and is known for newsroom systems, focusing on improving journalistic workflows. We have a reputation for high-quality product performance and service. Lastly, we are known for creating trend-setting newsroom products and cross-media solutions for TV, radio and online news.

We achieve this by understanding journalism, knowing the media market and the needs of broadcasters. Annova has served this sector for over 20 years. Importantly, we are not just a raw software provider; we are a solutions provider delivering turn-key solutions – from the very first consultancy via project management and project engineering right up to 24x7 support. Our OpenMedia software product is a centralised solution sitting at the heart of these processes. It includes several modules and is scalable to meet the needs of large and small networks alike.

We are split into three teams across Germany, France and the UK, with a total staff of 76 at the year end. The UK team manages the project side for the BBC and other UK customers; the team in France covers all of the French-speaking countries and a selection of strategic customers in Northern Europe; and the German team covers the important German-speaking countries, Eastern Europe and Rest of World. All product development is covered from our Munich headquarters.

OUR LONG-STANDING CUSTOMERS

	Since
ARD-aktuell (Germany)	1998
SWR, **BR** and **WRD** (Germany)	2001
RTL France (France)	2008
Red Bull Media House (Austria)	2009
Omroep Gelderland (Netherlands)	2010
SRG SSR (Switzerland)	2011
rbb (Germany)	2012

THE YEAR IN REVIEW

While our revenues were not in line with our ambitious targets we were pleased to see new strategic contract wins. We also embarked on a comprehensive programme of aligning our processes with those of the SCISYS group and commenced the process of increasing sales staff.

From the customer side, 2017 was very much focused on completing a key project milestone in respect of our long-term contract with the BBC. Working in close collaboration with the customer we successfully delivered the critical software implementation and live pilot milestones in the summer. We then entered the phase to deploy OpenMedia in all BBC newsrooms.

OUR STRATEGY IN ACTION.
HOW WE SUCCEEDED ACROSS THE GROUP IN 2017

BBC WALES, UNITED KINGDOM:
The BBC awarded a contract to M&B for deployment of dira! to their entire radio production and playout operation in Wales. The project includes delivery to 13 Wales local radio sites based on a single centralised dira! platform.

The second area of focus was winning new customers to replace incumbent's existing products and solutions. We won a key customer, MDR, in Germany. This is important because of its size and because it is part of the leading ARD group of German broadcasters. The ARD Group are key players and seen as innovators across the German speaking countries. Selecting us for MDR is an indication of their confidence in our solutions. In this case we are replacing fully their existing editorial newsroom systems.

Also part of the ARD group is Radio Bremen, which subsequently became our customer this year. Other new customers include public broadcaster Czech Radio, who have contracted us to work on their news rundown-management systems.

We have seen key contract wins in 2017 both in new markets and across existing customers. Annova gained its first customer in Canada – a strategic gateway to North America – Corus Entertainment Global TV, a private broadcaster and one of the largest in the country, with 39 channels operating in TV and online news. They have contracted us to equip their news and radio division with our innovative newsgathering system to 20 Canadian markets, as well as their London and Washington bureaux. In 2017, we completed the first phase of four.

We also won a strategic win with ARD-Aktuell for a cross-media planning portal for its national prime news programmes. Annova was chosen over the competition for a new planning system based on our latest product, NewsBoard, which is being added to their current installation of OpenMedia. We are delivering a solution using an agile approach for them and this major project has high visibility across the ARD network.

We continuously seek to innovate and develop new products. Our new product this year has been NewsBoard, a tool for online research and social media monitoring for journalists. This sits on top of our OpenMedia solution, which remains the core software solution product. NewsBoard is generating a lot of interest from existing and potential new clients alike.

Annova felt comfortable being part of the SCISYS group from day one, not only gelling with the M&B teams but also with the Space and ESD divisions. Extensive collaboration and knowledge sharing across the two businesses, helped by our common cultures, assisted our contract wins within the ARD group.

TRENDS AND OUTLOOK

We have a desirable software product-based solution and a lot of untapped market potential, particularly for increasing market share and sales in new territories. Having established ourselves in the German markets our business model is now focused internationally, and we will continue to pursue new work in North America. Annova is one of the main players in the worldwide market. We will seek to continue to win market share and to consolidate our position. We see plenty of potential for our existing portfolio to cover a wider market share as we access new territories. Our sales strategy continues to extend our scope with the existing client base, win new customers and to expand into new markets.

As for responding to market trends, there is high demand for web-based solutions in addition to local installations in order to achieve independent working via a multitude of mobile teams and devices. This is very much the direction of travel and remains a priority in the radio market. Our proprietary NewsBoard solution meets these trends head-on. In collaboration with our customers, we will continue to invest in enhancing and extending our products through innovation.

We also expect to continue to focus on project deliveries for existing customers throughout next year, as well as investing in recruitment, to consolidate and grow the business.

JAPAN METEOROLOGICAL AGENCY:
The Japan Meteorological Agency (JMA) has renewed its client relationship with Space, which will deliver a combined satellite-data reception system for the prediction of satellite track and reception of satellite imagery.

METROPOLITAN POLICE FRAMEWORK:
The Metropolitan Police SPF framework, secured in 2017, is set to see exciting projects in the UK policing arena. ESD's relationship with the Met Police goes from strength to strength.

BALANCE AND AGILITY
MANAGING RISKS

The key risks we manage

The management of risks clearly goes hand in hand with the opportunity to create value for shareholders. The Group and its subsidiaries strive to identify the risks associated with the day-to-day operational businesses, as well as risks associated in the Group's wider business context.

SCISYS operates both a bottom-up and a top-down approach to risk management, which provides visibility and accountability throughout the Group.

The key challenges, risks and uncertainties facing SCISYS primarily arise from the highly competitive and rapidly changing nature of its markets. The following is a description of those key risks that could impact on the Group's ability to achieve its strategic goals. These are also provided as a residual risk distribution matrix on page 34.

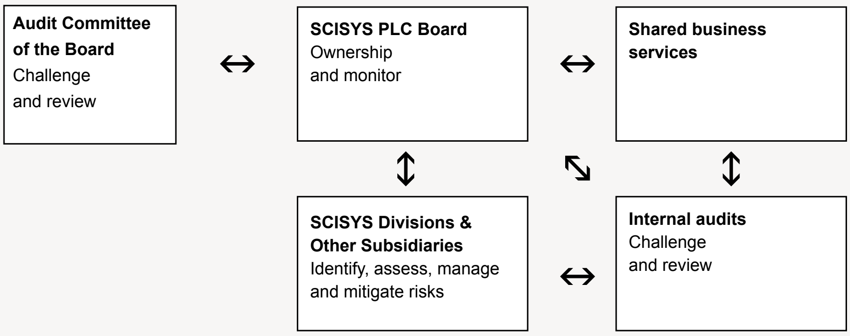
SALES & COMPETITIVE RISKS

The Group makes sales within its markets and, at any one time, there may be markets that have longer sales cycles than others or that have fewer sales opportunities. This can impact our ability to sell our services. Failure to achieve sales targets because of sales pipeline deferrals or diminishing markets will lead to lower revenues being achieved.

The sales pipeline is monitored regularly and we maintain close contact with our customers seeking to anticipate issues in the sales pipeline. Where possible, we prefer to contract with major customers through long-term agreements that provide certainty to both parties.

The Group undertakes a number of customer support, business development and sales activities to foster continued strong relationships with its customers to ensure that we are considered by them when sales opportunities arise. In addition, new customers are being sought in existing or new markets through acquisitions.

The Divisional and Subsidiary Boards will always consider any move into a new territory recommended by a Director and will request that a risk assessment be made concerning such territory, considering risks such as political, regulatory, financial, local competition and reputation. The respective Board will then decide whether such a move



A layered approach to risk management is taken at SCISYS where risks and their impacts are identified and managed at the various levels within the business. Responsibility is delegated to the management and staff who are authorised to take appropriate actions.

Principal risks are identified that have a potentially high level of impact and have a reasonably high likelihood of occurrence, which are then escalated to senior levels of management. The SCISYS PLC Board is ultimately responsible for being aware of these risks and monitoring how the relevant parts of the Group are managing and mitigating them. Each division and/or subsidiary holds regular meetings with the PLC Directors that are a forum for identifying, discussing and agreeing the risk mitigation strategy. In some cases risks cannot be mitigated or there is a remaining residual risk in which case contingency plans and monitoring for occurrence are undertaken.

represents an acceptable risk to achieve the strategic goals of the Group.

Each of our divisions operates in highly competitive markets and changes in relative competitiveness could have a material impact on business growth and profitability. As a medium-sized company, any consolidation in our markets by our competitors, as well as changing procurement patterns or repercussions from changes to the macroeconomic environment, can impact on the Group's competitiveness.

Changes in relative competitiveness, including those implied by foreign currency exchange rates could result in lower sales revenues or force pricing strategies that deliver lower margins.

Mitigation here is based on ensuring the sales pipeline is closely monitored against actual margins being achieved to identify any downward trends. The business development teams also ensure customer facing meetings are held and market intelligence is obtained. The risk of reduced relative competitiveness, as induced by foreign currency effects, is primarily mitigated by means of financial instruments (see below).

COMMERCIAL & DELIVERY RISKS

The Group is engaged in a number of large, complex Information and Communication Technology (ICT) projects. The successful delivery of many of these projects is dependent on a number of factors including availability and management of Group resources, subcontractor performance and infrastructure.

SCISYS generally provides its customers with unique, tailor-made solutions with varying amounts of its own or third-party commercial off-the-shelf software (COTS) and hardware. The complexity and uniqueness of these solutions varies significantly, from off-the-shelf solutions – such as the 2met! meteorological and earth observation satellite data acquisition and visualisation solution – through to completely bespoke business solutions for major government departments.

Failure to manage or deliver against contracted customer requirements on a timely basis could result in contract disputes, claims for damages or cost overruns that could adversely affect profitability and the reputation of the Group.

SCISYS has policies and procedures in place for reviewing projects associated with customer contracts with an objective assessment of the risk inherent within a contract in addition to its size. Together, the size and risk level are used to escalate the review and sign-off level of the sale and to dictate the project management review approach to be followed. Similar risk management principles apply during the bidding stage of a project, to align with project risk management procedures.

The failure of a subcontractor to perform to an appropriate standard or a supplier to deliver products could result in delays to a project and adversely affect the Group's capability to meet contractual requirements and damage its reputation with customers. SCISYS has subcontractor assessment procedures in place to ensure that a risk-based approach is adopted with subcontractors that can adversely impact the Group with these being assessed in more detail than well established COTS suppliers.

Customer projects are managed to recognised project management standards. Monthly reports are compiled covering variances to plan and cost to complete, and regular project progress meetings are held. The reports are then discussed at monthly senior management meetings where the projects at risk are further assessed and mitigation actions are defined and monitored. Escalation mechanisms are in place to involve senior managers increasingly for more risky projects. The Divisional and Subsidiary Boards receive updates from the divisional directors on sales at a high risk/ impact level and any problematic projects so that actions can be taken to rectify issues.

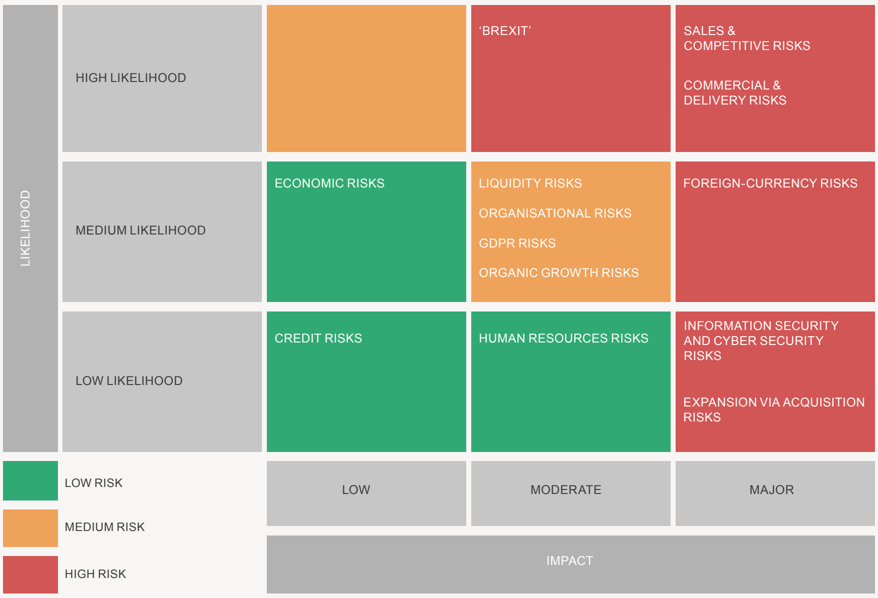
ECONOMIC RISKS

Future economic downturns affecting the eurozone and the UK economies may cause the Group's customers to cancel, postpone or reduce spending on existing or future ICT projects. This is particularly relevant where our customers are in the public or regulated sectors. The proportion of Group business outside the European Union is low and so economic issues in Africa and the Middle East would have little impact.

Significant changes as to timing or extent of customer spending or future investment planning could adversely impact the Group's order book. Failure of a customer could result in non-collection of amounts owed. Failure of a subcontractor or supplier would result in the Group having to find a replacement or undertaking the task itself, which could result in delays and additional costs. Attrition of customer base due to economic difficulties could cause corporate failures.

The Group regularly monitors external

SCISYS GROUP – RESIDUAL RISK-DISTRIBUTION CHART



economic and political developments to assess their potential impact on the Group prospects. Monthly assessments of sales pipelines and feedback from sales teams are used to assess underlying developments.

The split of subsidiaries across UK and Germany has reduced this risk by providing a mixture of geographic revenue sources in members of the European Union with stronger economies.

FINANCIAL RISKS

The Group is exposed to a number of potential financial risks:

- **Credit risks** – Our customers do not pay us on time.
- **Liquidity risk** – The Group operates through cash generated by the business and by bank lending facilities.
- **Foreign-currency risk** – The Group has foreign-currency denominated earnings that may not be fully hedged so adverse currency fluctuations between sterling and the euro have an impact on the Income Statement.

Details of various risks and the strategies in place to mitigate them are described in note 22 to the financial statements on pages 81 to 86.

The Group's customers are predominantly blue chip and governmental organisations, so our credit risk is relatively small. We continue to monitor overdue payments closely and undertake regular credit checks where appropriate.

The Group's treasury operations are robust. The risk of lending facilities being curtailed or withdrawn is managed by ensuring our bankers are regularly well informed throughout the year on the Group's performance.

The Group has a reasonable balance (a natural hedge) between its sterling/euro earnings and sterling/euro cost base. To the extent required (which was not the case in 2017) it mitigates short-term currency risk by taking out exchange rate cover on the anticipated net surplus of euro to working capital requirements in Germany. Where possible it will contract with customers in the same currency as its cost base.

HUMAN RESOURCES RISKS

The Group's performance and its ability to mitigate significant risks within its control depend on its employees and management teams. Future success depends on its ability to recruit and retain the best people with appropriate competencies.

If the Group loses the services of key personnel or is unable to attract and retain employees with the right capabilities and experience it would be likely to have an adverse effect on the Group's ability to implement its business plans and impact on delivering the strategy. The Group uses a variety of ways to attract, retain and motivate its staff. These include regular review of remuneration packages, share incentive schemes and share option plans. Reviews with employees are undertaken at least annually and consider their performance.

Remuneration policy is regularly reviewed and incentives are in place to assist with the retention and recruitment of key employees. Equally important, the Group offers a culture where each individual is encouraged to achieve their full potential through regular reviews and discussions.

Removal of free movement of staff between UK and EU as a result of Brexit might introduce additional bureaucracy since this is currently a common practice for SCISYS divisions.

ORGANISATIONAL RISKS

The Group is exposed to the loss of

important facilities that could cause disruption to operations impacting revenues. Comprehensive business continuity plans are in place that cover offices, as well as computing and other facilities. The risk of a significant loss of all or part of an office is mitigated by having alternative facilities in different locations and being able to utilise the computing facilities in these locations remotely.

The key applications are on virtualised platforms to ensure they can be redistributed to another location or, ultimately, to the Cloud if necessary in the event of a significant outage at an office location. Staff are also able to operate effectively from alternative locations including from home to ensure business continuity.

SCISYS is a people business so it is highly dependent on talented and motivated individuals. As a consequence, succession plans are regularly discussed to ensure that the impact of the loss of a key staff member is reduced.

INFORMATION SECURITY & CYBER-SECURITY RISKS

Information Security is high on most customers' agendas especially when it comes to managing their own customers' or citizens' data. This is being accentuated by the introduction of the EU General Data Protection Regulation 2016 (679) (GDPR) (see below). Many of the solutions SCISYS delivers need to store and manage this data securely and customers need to be assured that SCISYS can manage their data properly. SCISYS operates comprehensive information management policies and procedures to ensure that the appropriate protections are in place.

While policies and procedures can ensure the appropriate measures are adhered to, the risk of a deliberate, malicious cyber attack is always a serious possibility. SCISYS actively protects its networks and computing facilities against all of the common forms of cyber security vulnerabilities. SCISYS in the UK is now certified to the UK Government Cyber Essential Plus standards and the controls imposed by these standards are being adopted across the Group.

GDPR RISKS

GDPR will come into force in May 2018 and is likely to be retained by the UK government for regulating the control and processing of personal data after Brexit. GDPR introduces more stringent guidelines on the management, recording and processing of personal data and infringement could result in substantial fines. SCISYS is well under way at implementing improvements to its current policies, processes and procedures across the Group to ensure compliance in all countries. SCISYS is also assessing its exposure due to customer contracts where it is a data processor under the new regulations.

A NOTE ON BREXIT

The Board continues to explore a wide range of Brexit options. Participating conditions apply to certain EU funded work, such as the Galileo satellite-navigation programme, which require the ultimate controlling company to be an EU-based company, or require appropriate waivers. While our German subsidiary satisfies the requirement of being an EU based company, current options include a re-structure and re-domicile for SCISYS PLC, so that it remains based in the EU following Brexit. Other options include consideration of appropriate waivers and security deed arrangements. Please also see note on Brexit in the Chief Executive's Review on page 13.

ORGANIC GROWTH

SCISYS is currently seeing substantial organic growth, which is generally achieved by recruiting talented staff as a result of actual or pending contract awards. This can introduce risks associated with the introduction of new staff to fulfil new and existing contracts. All staff undergo extensive induction into SCISYS' processes and are generally allocated to pre-existing rather than new teams to mitigate the new-starter risk. New contracts can introduce new risks to the business but these are dealt with in line with and as set out in the Commercial & Delivery Risks section (page 33).

EXPANSION VIA ACQUISITION

The Group, in seeking to fulfil its strategic objectives, may need to look to inorganic growth through business acquisitions. Acquisitions are generally risky because they can fail if the assumptions made at the time of acquiring are not fulfilled.

Failure to achieve the expected benefits from an acquisition and integration of the acquired business into the Group processes could result in an adverse impact on the Group's prospects, strategic goals and profitability. It can also lead to significant financial loss and damage to Group reputation.

Acquisition opportunities are initially reviewed by the Chief Mergers & Acquisitions Officer and the M&A Committee who report to the PLC Board. If the PLC Board approves its continued interest then an offer may be made subject to contract and undertaking detailed due diligence.

It is essential that any acquisition matches Group values and culture. When a business is acquired detailed integration plans are developed and monitored to ensure successful integration of the business so that the internal control processes of the Group are achieved.

Clearly, the acquisition of Annova is a substantial one and there has been a considerable amount of detailed planning regarding the acquisition and the integration approach following acquisition. This project is under the full scrutiny of the PLC Board on a day-to-day basis.

CORPORATE SOCIAL RESPONSIBILITY
COMMITTED TO OUR PEOPLE AND COMMUNITY

Values, culture & principles

OUR VALUES

SCISYS recognises that values stem from our principles and that these shape our internal behaviours and culture across the Group. We believe in the values of openness, integrity, honesty and being supportive. We are also committed to the principles of inclusion, flexibility, enthusiasm, commitment and above all being genuine, open and accountable. These are the foundations of good conduct and ethical behaviours.

We also understand that company values and purpose are set from the top – by the Board and senior management – and they can only be embedded in company culture when staff are led by example. SCISYS expects that all of its business is conducted in compliance with high ethical standards and good business practice. We seek to apply these standards to all dealings with employees, customers, suppliers and other stakeholders. This is reflected in our governance policies and we expect professionalism and integrity from all employees and operations.

OUR CULTURE

Culture is what drives performance. Strong growth and value creation can be achieved only when purpose and values are embedded and aligned with company culture. We understand that this must be done with openness because of the integral role that it plays in the future of our business.

We know it is important for our employees to value their work, trust their colleagues and feel empowered to work together. For these reasons we invest in making SCISYS a desirable place to work. Not only does doing so demonstrate that we care about their long-term futures it also gives staff a high level of reassurance that they are trusted, valued and supported. This also comes from listening to feedback. These endeavours are good for the Company because we also know that our staff perform better when they feel their voices are heard right at the top.

We support our long-term aims by creating close ties between our business values with company culture, as well as ensuring that all appraisals, incentives and rewards are equally aligned in this way. We believe that this has a positive impact on growth and greater performance. Our HR teams in both the UK and Germany recruit not just for skills and excellence but also seek cultural fit. This fosters a diverse and healthy company culture, which is evident in our commitment to inclusiveness, as well as our opportunities for professional development and skills training.

OUR VALUES

Our values are guided by our principles. SCISYS believes in openness, integrity, honesty and being supportive. These are the foundations of good conduct and ethical behaviours.

OUR PRINCIPLES

We are committed to the principles of commitment, enthusiasm, belief, focus, inclusion, trust, accountability and being flexible and genuine.

QUALITY, ENVIRONMENT & SAFETY POLICIES

SCISYS has the objective of continuously improving the quality of the products and services we provide our customers. Across the Group we are certified with various ISO benchmarks. In SCISYS UK Ltd, we maintain the following: Quality (ISO 9001), Environment (ISO 14001), IT Service Management (ISO 20000-1) and Information Security (ISO 27001). In SCISYS Deutschland GmbH, we hold: Quality (ISO 9001), Environment (ISO 14001) and Occupational Health & Safety (OHSAS 18001). Annova is currently working towards certification to ISO 9001 and ISO 27001. With the exception of health & safety, the Technical Director is the Director appointed by the Board to have responsibility for these areas of governance and certification.

The Finance Director is appointed by the Board to be responsible for the health & safety performance across the Group. The Group policy places responsibility for the management of health & safety matters on local subsidiary management who are supported by Group representatives and local external advisers where necessary.

The nature of our business means that we do not inhabit a high-risk working environment. Policies and procedures are nonetheless in place to ensure that risks remain minimal. We are committed to maintaining a safe working environment for all employees, customers and suppliers. Our staff have experienced only infrequent minor accidents causing injuries, such as sprains, cuts, abrasions, etc. There have been no major accidents in our three-decade Group history.

A clean environment and well-being both contribute to our company performance and reputation. We promote a culture of health, well-being and fitness by providing our staff – where possible – access to subsidised facilities for cyclists, fitness rooms and on-site cafés that provide healthy food choices. In addition, staff receive regular training on health & safety procedures, such as fire safety, throughout the year.

COMMITTED TO THE ENVIRONMENT

Good environmental practice and consideration of the impact that our operations have on the environment are of great importance to SCISYS. Our business cannot exist in isolation from the community and the environment. Therefore, our environmental policies aim to adopt responsible practices and comply with local, state and national environmental legislation in all jurisdictions that we operate in. This involves continual improvement over time.

Our office sites operate to meet ISO 14001 certified environmental management systems. This is an internationally agreed standard that sets out criteria for an environmental management system. We expect SCISYS companies to implement policies designed to proactively mitigate their environmental impact rather than policies just for carbon offsetting.

The Company uses this framework for measuring and improving its environmental impact. We recognise that these have many sources: heating, cooling and powering offices and equipment; electricity for computing equipment; gas for heating; travel by air, road and rail to visit clients, suppliers and for internal meetings; water in offices used for a variety of purposes; consumable resources such as paper; waste including paper, plastic and IT consumables (e.g. toner). Other environmental measures also include, promoting cycling to work, car sharing/pooling, video conferencing, recycling and cutting down on our usage of printer paper, etc.

We have an ongoing programme to reduce CO_2 production across our UK sites. This has proved successful and we strive to continue minimising CO_2 wherever possible. We seek to improve our environmental performance further annually. This year we engaged in an extensive LED lighting replacement scheme across our UK sites that has already seen a vast reduction in our energy consumption. In addition, we have commenced refurbishment to create new efficiencies as well as begun a plant-replacement programme, which includes replacing legacy air-conditioning units with modern, efficient units to further reduce energy usage. In the first half of 2017, our UK sites managed to achieve a 6% reduction in overall energy consumption year on year.

Our subsidiaries monitor their energy consumption closely and, where viable, they have introduced energy-efficiency measures. SCISYS Deutschland GmbH, too, has a programme of CO_2 reduction. For instance, its premises in Bochum use ground-source heating and cooling systems and solar panels that reduce the consumption of grid-electricity.

We produce few physical products and therefore have little end-of-life recycling and disposal obligations. Our businesses comply with the Waste Electrical and Electronic Equipment Regulations ("the WEEE Regulations") and we either return our redundant IT hardware to the original equipment manufacturer or distribute it for reuse by the local community wherever possible.

COMMUNITY

SCISYS strives to be a responsible partner in the local communities in which we operate. We encourage all our subsidiaries to support the needs of their communities by contributing to charities and community initiatives.

SUPPORTING LOCAL CHARITIES

SCISYS PLC, SCISYS UK Ltd and SCISYS Deutschland GmbH are proud to continue to support several national and local charities in the UK and Germany, for example fundraising for Children in Need and other local charities. Additionally SCISYS has this year made donations and raised funds for:

Alzheimer's Society – The UK's leading dementia support and research charity for people living with dementia, their families and carers.

British Heart Foundation – The nation's leading heart charity and the largest independent funder of cardiovascular research.

Macmillan Cancer Support – Macmillan's ambition is to reach and improve the lives of everyone living with cancer and to inspire millions of others to do the same. They provide information and support that helps people take back control of their lives.

Children's Hospice South West – Children's Hospice South West provides hospice care for life-limited children and their families from across the South West of England.

Dressability – A small charity that provides a clothing-adaptation service for people who need tailored clothes that fit and are easy to take on or off. They help those with physical disabilities, learning difficulties, over-65s, etc.

Friedensdorf International – Friedensdorf International helps victims in areas of war and crisis. They offer medical help and support international aid schemes on-site. Furthermore, Friedensdorf International provides an educational establishment available to all citizens to promote peace.

Our people & workplace

WE VALUE OUR PEOPLE

There cannot be innovation or robust solutions without the people who create and contribute to them. In order to attract the right people, SCISYS strives to be an employer known for providing attractive careers and interesting work opportunities. For those who are part of the SCISYS family, we seek to develop them in a way that helps them realise their full potential while also meeting the company's business needs. We also offer flexible working arrangements where we can support this. SCISYS makes it a part of its corporate culture to respect individuality: we present ourselves as we are.

The Company strives to ensure that staff understand the company they work for, the role they play and that they are valued stakeholders. We issue regular news bulletins on the Group's intranet sites and internal newsletters highlighting the valuable work being done across the Group. The divisions also have regular meetings to discuss what is happening within that division. We conduct regular all-staff meetings and presentations to discuss the performance of all companies in the SCISYS Group.

We encourage staff to invest in continuous learning and keeping their skills up to date. Training needs throughout the year are determined at either company, division, project, customer or individual levels. These are typically available for boosting technical and management skills, as well as for personal and developmental skills. We provide staff with a range of training resources, including inductions, self-paced training materials as well as a library of books and journals.

A FAIR AND DESIRABLE WORKPLACE

We have a long-term outlook and are committed to providing meaningful and challenging roles for all of our employees. In order to attract and retain the right people, we try hard to be a great company to work for. It is critical to our success to foster a working environment that encourages innovation and supports a culture of entrepreneurship and partnership. Our HR teams not only look for skills and talent, but also seek out drive and the motivation to develop and succeed.

Appropriate career paths and internal recognition programmes are developed for all staff. A variety of technical, support and managerial courses and training materials are available to employees. These employment development opportunities are structured to align with both the Group and divisions' goals and objectives. Our leadership-development and succession-planning processes are equally important to the business. These are regularly discussed and updated as the competition for talented employees increases and as the leadership needs of our business grow. Formal performance reviews are conducted and are linked to the values of the organisation. It goes without saying that we respect equality of opportunity to all existing and prospective employees without unlawful or unfair discrimination, regardless of age, gender, background or ethnic origin.

WORK EXPERIENCE, PLACEMENTS & STEM AMBASSADORS

In the UK there is an overall skill shortage in the areas of science, technology, engineering and mathematics (STEM) and computing. SCISYS recognises that it has a role to play in

CASE STUDY – BREXIT IN THE UK

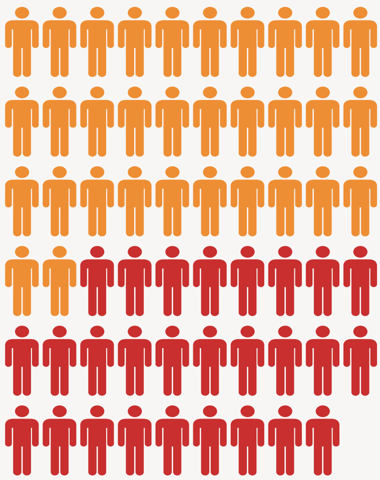
SCISYS recognises that the ongoing Brexit negotiations and associated changes in immigration policies resulting from Britain's leaving the EU are likely to be of concern to our UK employees from the EU, as well as British employees with partners or children who are EU nationals. Although there have been minimal concrete or direct changes in the year 2017, SCISYS PLC and its UK human resources teams felt that it was important to support all staff who believed they were affected by the changes. We have kept a close eye on progress and communicated with staff. We also brought in an external consultant to deliver a Brexit workshop that outlined the latest options for staff. At the end of the year we ran a survey with EU staff in the UK and they told us that they gained a lot from the workshop, as well as indicating where they required additional support. Overall, all staff said that they felt supported by the company, making them feel valued and appreciated.

mitigating these challenges. Gender equality is encouraged at SCISYS but there is an under-representation of women in university computing and STEM courses.

In line with this, SCISYS helps promote and encourage careers in the IT and computing sector by offering a limited number of opportunities each year for enthusiastic school-age people and undergraduates either as part of or in addition to their studies. These range from mentorships, meaningful work experience, summer placements and graduate opportunities. Our experience is that those who have been through these programmes with us come away with new skills and enhanced interest in the STEM fields.

In the UK, SCISYS has taken a number of apprentices into its internal IT support team under the Government's Apprenticeship scheme during 2017. This not only helps to bring valuable opportunities to school-leavers or those seeking to change their skills that can lead to university degrees but it also make use of funding under the UK Government's Apprenticeship Levy. Further apprentices have already been recruited in 2018. In Germany we have 4 apprentices in total, 2 at Annova and 2 at SCISYS Deutschland.

OUR PEOPLE



321

GERMANY (2016: 219)

271

UNITED KINGDOM (2016: 254)

These figures for 31 December 2017 include Xibis Ltd, SCISYS UK Ltd and PLC in the UK, and Annova Systems and SCISYS Deutschland GmbH in Germany. For illustration purposes, each icon is equivalent to 10 employees. Our SCISYS M&B division and ANNOVA Systems are based predominantly in Germany. Our SCISYS ESD division and Xibis are British based. Of the Space division, roughly 40% of staff are in the UK and 60% are in Germany (note: 4 Annova staff are in France).

Another way that SCISYS endeavours to counteract the widespread shortage of skills in the areas of science, technology, engineering and mathematics is to promote these subjects at all levels of the national curriculum. These subjects are essential to a digitally connected world and are therefore critical for developing a deep knowledge of software development techniques, as well as hardware and network technologies. SCISYS has a vested interest in encouraging school children to take up and excel in STEM subjects. In the UK, SCISYS does this by having a number of staff who are STEM Ambassadors. They are active in helping local schools and colleges by bringing STEM career opportunities to life.

We are national participants in the STEMNet programme (www.stemnet.org.uk), which is a network aimed at creating opportunities for young people and teachers of STEM subjects. We attend events organised by STEMNet, especially those that support engineering and software development. Our ambassadors are great role-models who motivate and inspire young people, advising them how they can build a career in the software industry by using examples of real case studies.

Corporate Governance Report

Corporate Governance Report

PLC

Natasha Laird,
Company Secretary

"We recognise the importance of high standards of corporate governance. During the course of 2018 we will be looking to adopt the QCA corporate governance code in furtherance of these standards."

- Mike Love, Chairman

INTRODUCTION

We believe in good corporate governance and accountability and we make robust corporate governance part of our culture and business values.

SCISYS PLC (the "Company") complies with the Financial Reporting Council's UK Corporate Governance Code (the "Code") to the extent proportionate and practicable. In doing so, we take into account our size, resources and AIM-quoted status. Where we do not comply with the Code, we provide an explanation to shareholders and review our position regularly.

LEADERSHIP AND GOVERNANCE STRUCTURE

The Board

The Board exercises full and effective control over the Group. There is a formal schedule of matters reserved specifically for its decisions, relating to strategy, finance, risk, operations and governance.

There were no personnel changes during 2017.

The Chairman is responsible for the effective and proper running of the Board, while the Chief Executive Officer is charged with managing the Group's business. The roles of the Chairman and Chief Executive Officer are distinct.

The Code requires an appropriate combination of Executive and Non-Executive Directors. The split is between five Executive and two Non-Executive Directors (including the Non-Executive Chairman).

Board responsibilities and accountability:

- Setting and delivering strategy;
- Enforcing sound risk management and internal controls;
- Reviewing trading and operational performance;
- Ensuring adequate financing is in place;
- Setting the tone for business values;
- Leading the Company and its subsidiaries;
- Engaging with shareholders and other stakeholders;
- Promoting the interests of shareholders, customers, employees and other stakeholders;
- Monitoring compliance with legislative and London Stock Market obligations, and industry best practices;
- Carrying out risk reviews;
- Considering succession planning; and
- Reviewing and implementing investment opportunities.

The Board believes the current split between Executive and Non-Executive Directors is appropriate. This composition continues to provide the expertise, breadth of experience and independence of thought needed, while maintaining efficient Board meetings.

The Board reviews its composition against the requirements of the Code, and the need for any additional independent Non-Executive Directors and/or senior independent Directors is monitored.

The composition of the Board (paragraph B.1.2 of the Code), its Audit Committee (C.3.1) and Remuneration Committee (D.2.1) does not meet the Code's recommendations.

Leadership and governance structure

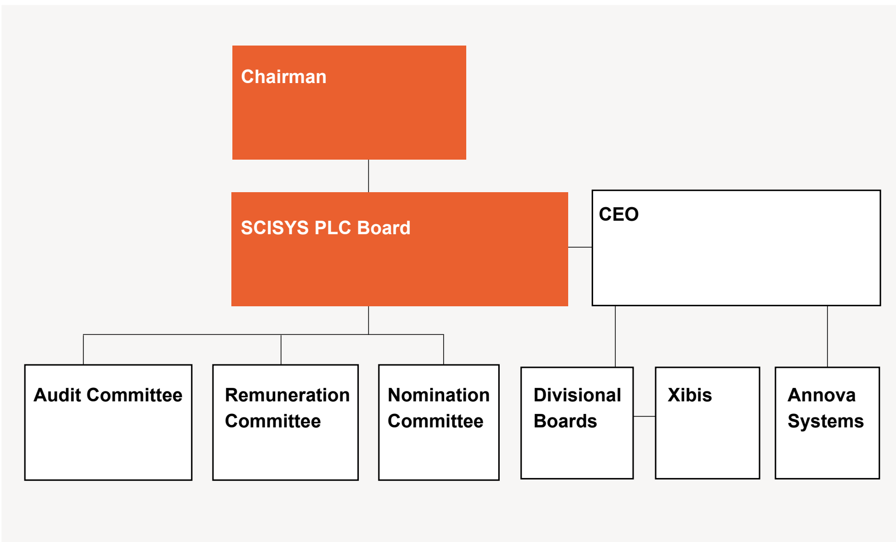
The Board:

Non-Executive

Mike Love (Chairman)
David Coghlan (Independent Non-Executive Director)

Executive

Klaus Heidrich (CEO)
David Jones (Deputy Chairman)
Chris Cheetham (Finance Director)
Klaus Meng (Chief Mergers & Acquisitions Director)
Steve Brignall (Technical Director)



Board of Directors

NON-EXECUTIVE DIRECTORS

Mike Love

Chairman: Mike was Chief Executive of SCISYS (formerly CODASCISYS) from 1986 (when he led the management buy-in of the business) until 2003, when he became Non-Executive Chairman. He stepped back in as Executive Chairman in late 2007 but from 2012 stepped back out as Non-Executive Chairman. Mike has a PhD in theoretical physics and 30 years' experience in the software industry. He serves as Non-Executive Chairman at Dillistone Group PLC and is a Director of Redcliffe Precision Limited and of The Nepal Trust. He is a previous member of the AIM Advisory Group of the London Stock Exchange.

David Coghlan

Independent Non-Executive Director: David has more than a twenty year track record in the technology sector with experience of working on both UK and US boards. He has been a Director of the AIM-listed Synectics PLC since 1993 and Chairman since 2005, and was recently appointed to the board of AIM-listed Eckoh PLC (December 2017). He co-founded Quadrant Group Limited in 2002, a flight and air traffic control simulation and services company, and remains its Chairman. He is a founding investor and Non-Executive Director of TrafficLand, Inc., a leading US-based provider of live traffic video to a broad customer base. David was previously a partner at strategy consultants Bain & Company. He has degrees in Law and in Finance from the University of New South Wales, and an MBA from the Wharton School, University of Pennsylvania. David's appointment was effective from 2 January 2013. He chairs the Audit Committee and sits on the Remuneration Committee.

EXECUTIVE DIRECTORS

Klaus Heidrich

CEO: Klaus studied electrical engineering with a focus on communications engineering at the University of Dortmund and gained a master's degree in electronics engineering. In 1989 he joined VCS AG (now SCISYS Deutschland GmbH) as a sales engineer. From 1992 he was responsible for marketing and sales of VCS and developed VCS media activities until he briefly left VCS, returning a year later taking responsibility for strategic business development within corporate management. From 2005 to 2011 he was a Director of the Media & Broadcast division. On 1 January 2012 he became an Executive Director and Chief Operations Officer of SCISYS PLC and from 1 January 2014 became CEO.

Chris Cheetham

Finance Director: Chris is an engineering graduate of Cambridge University who qualified as a Chartered Accountant with Ernst & Young in 1990 and worked in the Corporate Finance department until 1996. He has extensive experience gained from working as Finance Director and Company Secretary within the software industry for the six years prior to joining SCISYS. He was appointed Finance Director on 1 January 2007.

Steve Brignall

Technical Director: Steve joined the Science Systems group in 1986 as a senior analyst/programmer. He was appointed Technical Director of Science Systems (Industrial) in 1999 and Technical Director of the SCISYS Division in 2004. He was appointed Executive Director on 26 September 2006. Before joining SCISYS, he spent 5 years at Rolls-Royce (Aero) and Westinghouse Systems. He studied mathematics at Manchester University.

David Jones

Executive Director and Deputy Chairman: David joined the Board as a Non-Executive Director in June 2002 and stepped in as an Executive Director in late 2007. He was appointed Chief Operations Officer on 1 January 2010 and then Chief Executive Officer on 1 January 2012. He ceased to be Chief Executive Officer on 1 January 2014 and became Deputy Chairman on 1 January 2014, while remaining as an Executive Director.

Klaus Meng

Executive Director: Klaus studied electrical engineering at the University of Bochum and graduated as a PhD in optic communication engineering in 1987. He was appointed a Non-Executive Director of SCISYS PLC in January 2009 and was appointed an Executive Director in July 2012, responsible for mergers and acquisitions as well as remaining a Director of SCISYS Deutschland GmbH.

Board attendance

Number of meetings in the year	Number of meetings attended: Board (4**)	Audit (2)	Remuneration (3)	Nomination (-)
Mike Love	4	2	3	-
David Jones	4	2*	3*	-
Chris Cheetham	4	2*	3*	-
Steve Brignall	4	-	-	-
David Coghlan	4	2	3	-
Klaus Meng	4	-	-	-
Klaus Heidrich	4	2*	3*	-

* Meetings attended by invitation. ** General group structure and succession planning were discussed at Board meetings in 2017

Nevertheless the Board considers its composition appropriate for an AIM-quoted company of its size and its individual circumstances.

Currently one third of the Board submits itself for re-election at each AGM as part of the Company's formal retirement by rotation policy. Under the current Articles every Director must offer himself for re-election every three years. As the Non-Executive Chairman is subject to re-election every three years, rather than annually, we do not comply with paragraph B.7.1. We consider a re-election every three years appropriate for all Directors.

All Directors are given full and timely access to all relevant management and accounting information. All Directors are able to seek independent professional advice in the course of their duties, at the Company's expense. If any Director has concerns regarding unresolved business issues, they are entitled to require the Company Secretary to minute their concerns.

All Directors are inducted and kept abreast by the Company Secretary of material changes to laws and regulations affecting the Group's business. She advises the Board on legal developments, regulatory matters and Board procedures.

The Board considers itself sufficiently diverse when considering the background, knowledge and experience that each individual member brings to the Board. Where Board appointments are made, the Terms of Reference of the Nomination Committee set out the factors to be taken into account. Due regard is given to diversity. Specifically, the Nomination Committee is required to "consider candidates on merit and against objective criteria, and with due regard for the benefits of diversity on the Board, including gender" when identifying and recommending candidates. No member of the Board is female. Board appointments are made solely on merit and independent of gender. The Nomination Committee will continue to recommend appointments to the Board based on the existing balance of skills, knowledge and experience on the Board, as well as the merit and capabilities of the nominee. It will look at the amount of time that any nominee is able to devote to the role.

The Chairman

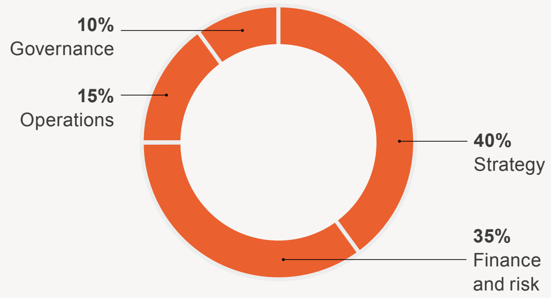
He is responsible for leading an effective Board. In particular, the Chairman is tasked with:

- Chairing Board meetings and setting the agenda;
- Ensuring adequate time is available for all agenda items;
- Encouraging discussion of agenda items;
- Ensuring that accurate and comprehensive management information is distributed to the Board members in a timely manner;
- Ensuring compliance with high standards of corporate governance and ethical behaviour; and
- Facilitating a two-yearly evaluation of the Board.

As one of the original founders of the Company and a significant shareholder, the Non-Executive Chairman contributes relevant experience and expertise. He has regular discussions with the independent Non-Executive Director to review Board matters without the Executive Directors specifically from shareholders and other stakeholders' perspectives. He also provides support and advice to the Chief Executive Officer and the Finance Director.

Board agenda

Time spent discussing a variety of agenda items



The Chairman was not independent on appointment and is not considered independent now in accordance with the Code. The other Non-Executive Director is considered independent in accordance with the Code. Both provide constructive challenges during Board meetings and have the experience and gravitas to do so.

BOARD EFFECTIVENESS

The approximate time spent by the Board discussing a variety of agenda items during the year to 31 December 2017 was as follows:

- Strategy 40%
- Finance and risk 35%
- Operations 15%
- Governance 10%

The Board reviews trading and operational performance regularly. Divergences from expected performance are followed up promptly and rigorously.

BOARD ATTENDANCE

The Board held four scheduled Board meetings during the year, 3 at its head office in Chippenham and 1 in Bochum, Germany. For details of the attendance by Directors at Board and Committee meetings for the year ended 31 December 2017, see the table on page 42.

In 2017 the Board evaluated its own performance internally based on questionnaires against key areas of its responsibility including: adherence to Group strategy; operational performance; cash flow and net assets; budgetary control; value created through acquisitions; and the share price. It also internally evaluated its balance of skills, experience, independence and knowledge of the business, as well as its diversity. The Board does not undertake an annual independent evaluation as recommended by paragraph B.6 of the Code. A two-yearly internal evaluation is considered appropriate given the smaller size of the Board and regular day-to-day contact between Board members.

BOARD COMMITTEES OVERSIGHT

We have three main Board Committees; an Audit Committee, a Nomination Committee and a Remuneration Committee. The Chairmen of these Board Committees will be available to answer questions at the 2018 AGM. A description of their activities is available on the SCISYS website (www.scisys.co.uk/who-we-are/corporate-governance.html). Terms of reference of each Board Committee are available on request from the Company Secretary and will be available for inspection at the forthcoming AGM. Each Committee generally invites Directors to attend Board Committee meetings, to the extent appropriate.

The Board Committees' terms of reference are reviewed annually. Any necessary changes are recommended to the Board. The minutes of the Committee meetings are available to all Directors and verbal briefings are given at Board meetings. A smaller Mergers and Acquisitions Board Committee considers acquisitions and mergers on an on-going basis, headed by Klaus Meng, reporting to the Board.

Divisional board meetings, Xibis Ltd and Annova Systems GmbH

- **Monthly Divisional board meetings** These are led by the Chief Executive Officer, and oversee the operational and financial performance of each individual division (Space, Media & Broadcast and Enterprise Solutions & Defence). Commercial issues, sales opportunities and risk management are discussed, and day-to-day management decisions are made. Divisional board meetings provide a forum for the Directors and senior managers to assess performance and, if necessary, to expedite any remedial steps. Each division operates as a separate profit and loss centre on the basis of a 1–3-year business plan, with agreed short- and medium-term targets consistent with PLC strategy. Divisional board meetings therefore perform a key risk-management function. The Chief Executive Officer, Finance Director and Technical Director are members of, and attend, most divisional board meetings. Members of the divisional board also have regular interaction when carrying out their work.
- **Xibis Limited** Xibis is a separate subsidiary of SCISYS PLC and its board now reports through ESD. During 2017, Xibis had monthly board meetings in Oadby of the Directors, Neil Morjaria, Ian Newson, Fiona Holder, Steve Brignall and Andy Whitehead. These meetings also assessed the operational and financial performance of Xibis, its sales opportunities and strategies, and risk management.
- **Annova Systems GmbH** During 2017 Annova had monthly board meetings in Munich between the Directors, Michael Schüller, Silvio Klötzig, Klaus Heidrich and Chris Cheetham. These meetings also assessed the operational and financial performance of Annova, its sales opportunities and strategies, and risk management.

SCISYS UK Limited board meetings

During 2017 SCISYS UK Limited held monthly board meetings between its Directors, Steve Brignall, Dave Gawthorpe and Chris Cheetham. Spencer Ziegler, Klaus Heidrich and Andy Whitehead also attended by invitation. During these monthly board meetings a range of regulatory, strategic, management and operational matters were discussed and resolved. Natasha Laird attended as Company Secretary of SCISYS UK Limited and provided legal updates.

SCISYS Deutschland GmbH board meetings

During the course of 2017 SCISYS Deutschland GmbH held regular board meetings, to deal with regulatory matters and strategic decisions affecting SCISYS Deutschland GmbH. In 2017 the Directors of SCISYS Deutschland GmbH were Klaus Meng (Chair), Sandra Krewerth, Karl-W Pieper and Horst Wulf.

SCISYS Deutschland Holding GmbH

SCISYS Deutschland Holding GmbH was an acquisition vehicle for the purchase of Annova Systems GmbH and is the holding company of Annova Systems GmbH and the majority shareholder of SCISYS Deutschland GmbH. Its Directors are Klaus Heidrich, Chris Cheetham and Klaus Meng.

Accountability and Internal Controls Governance

The Board undertakes a regular and robust assessment of the effectiveness of the Group's systems of risk management and internal financial controls, which is set out within the Director's strategic report on pages 32 to 35.

Committee oversight*: 2017

Audit Committee

Oversees the Group's financial reporting, internal financial controls, their effectiveness, and risk-management processes. It also oversees the external audit process.

The Committee met twice during the year – details are contained in the report on page 47. Membership is David Coghlan as Chairman with Mike Love.

Nomination Committee

Deals with appointments to the Board, monitors potential conflicts of interest and reviews and considers the recommendations for independent Non-Executive Directors. It meets when required and addresses recommendations to the Board on policy and strategy with respect to succession planning.

The Committee did not meet during 2017. Membership is Mike Love as Chairman with David Coghlan.

Remuneration Committee

Sets the remuneration of the Directors, including basic salary, bonuses and other incentivisation payments and awards. It also ratifies policy proposals in respect of the remuneration of senior executives within the Group.

The Committee met three times during the year. Details are contained in the Report on pages 48 to 53. Membership is Mike Love as Chairman with David Coghlan.

*For main Board Committees.

Other Management Committees

Internal Governance

Comprises senior managers across the Group who consider and make decisions on aspects of the Group's activities that impact on its governance at operational levels. Its remit therefore covers health and safety, environment and quality, as well as information security and cyber security. It is responsible for establishing policies and procedures across the Group, and ensuring compliance with these policies. It ensures that SCISYS remains compliant with current and future legislation relevant to health and safety, environment and information security. It reviews security risks including particularly those identified by ISO 27001 compliance, and the response of the business to managing those risks. It meets quarterly.

A separate GDPR Committee met throughout the year, headed by Steve Brignall, the Technical Director, and attended by the General Counsel, Natasha Laird, to implement appropriate technical and organisational measures and update data-protection policies in view of the forthcoming GDPR.

During the course of 2018 a processes board will meet, and senior managers will discuss and establish the internal governance processes needed across the business.

Management Meetings

CIT meets on a two-monthly basis to address and review operational issues, financial issues and the security performance of our IT infrastructure.

The UK MM meets on a monthly basis and addresses day-to-day UK management and operational issues, legal and regulatory developments.

HR and the General Counsel meet quarterly to discuss developments in employment law.

In Germany the MTM meets to discuss day to day operational, management and legal issues, these meetings are chaired by a Director of SCISYS Deutschland GmbH.

During 2017, the Divisional boards comprised:

Space Division	Klaus Heidrich (CEO) Chris Cheetham (Finance Director) Steve Brignall (Technical Director)	Horst Wulf (Chair & divisional director)
Enterprise Solutions & Defence Division	Klaus Heidrich (CEO) Chris Cheetham (Finance Director) Steve Brignall (Technical Director)	Dave Gawthorpe (Chair & divisional director) Andy Whitehead (divisional director)
Media & Broadcast Division	Klaus Heidrich (CEO) Chris Cheetham (Finance Director) Steve Brignall (Technical Director)	Karl-W Pieper (Chair & divisional director)

During 2017, the Annova Board comprised:

Annova Systems GmbH	Klaus Heidrich (CEO and Managing Director of Annova) Chris Cheetham (Finance Director and Managing Director of Annova)	Michael Schüller (Chair and Managing Director of Annova) Silvio Klötzig (Managing Director of Annova)

During 2017, the Xibis Board comprised:

Xibis Ltd	Neil Morjaria (Managing Director) Steve Brignall (Director) Andy Whitehead (Director)	Fiona Holder (Director) Ian Newson (Technical Director)

Gender Pay Gap Reporting 2018

SCISYS UK Limited will publish its gender pay gap report in April 2019. It will have met the employee threshold for gender pay gap reporting on the snapshot date in April 2018. The Group did not need to publish a gender pay gap report for the snapshot date in April 2017 as we had not at that stage exceeded the required minimum Group employee count.

Diversity policy

SCISYS UK Limited has an equality and diversity policy in place and the Group aims to create a workforce that is diverse and positive, regardless of the age, gender, ethnicity, background or other characteristics of our employees. Equality and diversity is encouraged throughout the Group.

Risk of bribery, facilitating tax evasion by others and modern slavery statement 2017

The Group has an anti-bribery policy in place. Each of its subsidiaries has implemented this policy and has appropriate procedures required by the Bribery Act 2010 to prevent bribery. It has procedures in place aimed at preventing the facilitation of tax evasion by third parties. The Chief Executive Officer is the Board member responsible for the Group's compliance. The Group's anti-bribery policy is reviewed regularly.

The Group is also fully committed to eradicating human trafficking and modern slavery. The Company publishes annual modern slavery statements pursuant to the Modern Slavery Act 2015, which can be found at www.scisys.co.uk/who-we-are/corporate-governance/scisys-plc-anti-slavery-statement.html.

AIM Rule Compliance Report

SCISYS PLC is quoted on AIM. We have complied with AIM Rule 31 during 2017 by:

- having sufficient procedures, resources and controls in place to enable compliance with the AIM rules;
- seeking advice from our Nominated Adviser ("NomAd") regarding compliance with the AIM Rules whenever appropriate and taking that advice into account;
- providing the Company's NomAd with any information reasonably requested for our NomAd to carry out their responsibilities under the AIM Rules for Nominated Advisers;
- ensuring that each of the Company's PLC Directors accepts full responsibility, collectively and individually, for compliance with the AIM rules; and
- ensuring that each PLC Director discloses without delay all information which the Company needs in order to comply with AIM Rule 17 (Disclosure of Miscellaneous Information) and AIM Rule 11 (General Disclosure of Price-Sensitive Information) insofar as that information is known to the Director or could with reasonable diligence be ascertained by the Director.

Relations with shareholders

The Board recognises its primary role of representing and promoting the interests of the Group's shareholders. The Board is accountable to shareholders for the long-term performance and success of the Company.

Being an AIM-quoted company, the Non-Executive Chairman, Finance Director and Chief Executive Officer continue to hold regular meetings with institutional shareholders and private client brokers to discuss and review the Group's activities, strategies and performance. This provides a dialogue with current (and potential future) shareholders, brokers, and an opportunity to explain the Group's strategy and performance.

The Annual General Meeting (AGM) is our main forum for meeting private shareholders. The Board is available to answer questions and shareholder participation is encouraged. We sent out our INSCIGHT newsletter once during 2017, which updates shareholders and other stakeholders on activities and progress. The Company website (www.scisys.co.uk/who-we-are/investors.html) has a section for investors which contains all publicly available financial information and news concerning the Company and provides details of how shareholders can directly discuss particular issues with the Company.

In conjunction with the Company's Nominated Advisor (NomAd) and other financial advisers we distribute news in a timely fashion through appropriate channels to ensure that shareholders are able to access material information about the Company's progress.

The Chief Executive Officer and the Finance Director are available to meet shareholders during the year. The Chairman and the Independent Non-Executive Director make themselves available to discuss any issues or concerns that shareholders may have on a case-by-case basis.

Other key stakeholders: how we engage with employees, customers, suppliers and lenders.

Our approach to corporate social responsibility is set out on page 36.

Our staff are key to the business and the Directors recognise the need for engagement with employees. Executive Directors meet staff formally by providing twice-yearly results presentations at all office locations and for larger groups of off-site employees. Management staff meet the Directors through regular meetings (such as the meetings mentioned above). Our smaller size means that Directors and management staff are relatively accessible to all employees. We encourage staff engagement, and our size allows our management structures to be relatively flat.

Our customers are clearly essential to our business. We maintain long-term relationships with our customers. SCISYS operates a system of key account managers whose role is to communicate with them and ensure close liaison, in addition to the day-to-day communication that occurs with every customer contract.

Our bankers are a key constituent of the Company's on-going ability to maximise profitability. We develop long standing relationships with our bankers and keep them regularly updated as to how the business is performing. We also seek to maintain long-term relationships with suppliers, and seek to engage suppliers on industry-standard terms and conditions.

When Board decisions are taken, the Board takes into account its duty to promote the success of the Company, the interests of shareholders as well as the interests of and relationships with suppliers, customers and employees. The Board is aware of, and complies with, its obligations under section 172 of the Companies Act 2006.

The impact of the Company's operations on the community and the environment is also considered carefully.

Audit Committee Report

PLC

David Coghlan

Annual statement made by the Audit Committee Chairman

The Audit Committee's role is to assist the Board with the discharge of its responsibilities in relation to internal and external audits and financial controls. I chaired the Audit Committee which met twice during 2017. I have the requisite recent and relevant financial experience to do so. Meetings are planned around the financial calendar for the Company. The Finance Director and Chief Executive Officer and other senior management attend meetings by invitation only and the Committee also meets the external auditors without any SCISYS Executive Directors being present. On behalf of the Audit Committee I report to the Board on how it has discharged its responsibilities.

During the year the Audit Committee, operating under its terms of reference, discharged its responsibilities, including reviewing and monitoring:

- the financial-reporting process in the Company's interim and annual reports, including consideration of the appropriateness of accounting policies and material assumptions and estimates adopted by management;
- developments in accounting and reporting requirements;
- the external auditors' plan for the year-end audit of the Company and its subsidiaries;
- its own effectiveness;
- the composition of the Audit Committee;
- the systems of internal financial control and risk management and their effectiveness, reporting and making new recommendations to the Board and receiving regular updates on key risk areas of financial control;
- the policy on whistleblowing, whereby staff may raise concerns in confidence about possible improprieties;
- the audit fees charged by the external auditors;
- considering the performance and formal engagement terms entered into with the external auditors and their appointment, re-appointment or removal and concluding that there will be a competitive audit-tender process during 2018 (which did not take place in 2017 as proposed) for the appointment of the external auditor; and
- considering whether there is a need for an internal audit function and concluding, due to the current size and complexity of the Group, that a formal internal audit function was not required and making a recommendation to the Board to that effect.

Given the nature of the Company's business, the Audit Committee pays particularly close attention to reviewing (directly and in discussion with the external auditors) the management's judgements on the application of SCISYS' revenue-recognition policies in relation to material projects.

Audit independence

The Audit Committee and the Board place great emphasis on the objectivity of the external auditor in its reporting to shareholders. The audit partner and senior manager are present at Audit Committee meetings as required to ensure full communication of matters relating to the audit. The overall performance of the auditor is reviewed annually by the Audit Committee, taking into account the views of management, and feedback is provided when necessary to senior members of the audit firm unrelated to the audit. The Audit Committee also has discussions with the auditor, without management being present, on the adequacy of controls and on any judgemental areas. The scope of the forthcoming year's audit is discussed in advance by the Audit Committee, and will involve the need for compliance with IFRS 15. Preparations in this regard have been ongoing throughout 2017. Audit fees are approved by the Audit Committee.

The review of the performance, independence and objectivity of the external auditors concluded in a recommendation to the Board on the re-appointment of the auditors by shareholders at the Annual General Meeting (subject to the stage reached in the retendering process). The auditors provide annually a letter to the Committee confirming their independence and stating the methods they employ to safeguard their independence.

David Coghlan
Chairman of the Audit Committee
13 April 2018

Remuneration Report

PLC

Mike Love

Annual statement made by the Remuneration Committee Chairman

I am pleased to introduce the Director's Remuneration Report for the year ended 31 December 2017. This report has been prepared by the Remuneration Committee and is approved by the Board.

Notwithstanding that the Company is quoted on AIM and is not subject to schedule 8 of The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the Remuneration Committee is supportive of the spirit of the UK Government's drive to improve transparency and clarity in the reporting of Directors' remuneration and takes into account guidance issued by the Investment Association. We continue to make disclosures as transparent as possible. Our aim is to satisfy our shareholders' desire for clarity in our disclosures.

The Remuneration Committee has taken the commitment and calibre of employees into account generally when setting remuneration awards for 2018. The responsibility for deciding on individual Director's remuneration rests with the Remuneration Committee alone and no Director is involved in deciding his remuneration. The Remuneration Committee will consider the pay for senior managers in 2018 and will have a wider remit as a result. There is an upper cap on all elements of remuneration and no bonus opportunities exceed 100% of salary.

Our remuneration policy remains to attract, retain and incentivise high-quality individuals in order to implement our business strategy. The Committee considers that salary increases for 2018 are justified by the performance of the Group and the continuing increased executive commitments required as a result of integrating Annova with the Group and organic growth. Full retrospective disclosure has been provided for the 2017 executive targets and performance. We recognise that remuneration policies need to be designed with the long-term success of the Group in mind and we note that larger listed companies are required to implement withholding and claw-back provisions for variable pay. Against this backdrop we believe that our remuneration policy promotes the long-term success of the Group, although we do not implement any claw-back or malus withholding provisions. We believe that performance related elements should be transparent and stretching. The remuneration of each Director is linked to the performance of the individual and the Group performance through base salary and performance-related pay, together with other benefits. All bonuses are capped. The Committee and the Board continues to balance reward with restraint.

I look forward to your support for the resolution seeking approval of the Remuneration Report at the forthcoming Annual General Meeting.

Mike Love
Remuneration Committee Chairman
13 April 2018

Role of the Remuneration Committee

The Committee has responsibility for making recommendations to the Board on the remuneration packages of the Executive Directors, as well as monitoring the level and structure of remuneration for senior management, which includes:

- making recommendations to the Board on the Company's existing remuneration policy for Directors and senior staff, and to oversee long-term incentive plans (including share option schemes);
- ensuring remuneration is both appropriate to the level of responsibility and adequate to attract and/or retain Directors, senior management and staff of the calibre required by the Company; and
- ensuring that remuneration is in line with current industry practice.

The Remuneration Committee has sole responsibility for deciding the Executive Directors' remuneration and, from 2018, divisional directors, Directors of subsidiaries and managers of profit centres. It is sensitive to possible conflicts of interests when receiving views from Executive Directors about its proposals. No Director is involved in deciding his own remuneration.

Remuneration policy

The table below shows how the remuneration policy is linked to overall Group strategy.

EXECUTIVE DIRECTORS

Element	Objective and link to strategy	Operation	Maximum potential value	Performance conditions
Base salary	Reflects level of responsibility and achievement of the individual. Maintains an appropriate balance between fixed and variable pay ensuring good risk management and no undue emphasis on variable pay.	Base salary is set annually on 1 January. Salary levels are reviewed on an annual basis by reference to comparable positions in similarly sized AIM-listed companies. We do not depend on formulaic methods for determining this salary.	When considering any increases to base salaries in the normal course of events (as opposed to a change in role or responsibility), the Committee will take into consideration increases being given in comparable groups, pay and conditions of employees throughout the Group and inflation.	Not applicable
Performance related variable salary	The payment of performance-related pay is linked to the profitability of the Company and agreed key personal objectives, and drives short- and medium-term performance.	Cash payments. Executive Directors participate in an annual performance-related payment scheme. For short-term targets quarterly payments are made based on an assessment of progress towards the annual target. 25% is retained until the year-end accounts are completed to allow for any downturn in trading later in the year. Payments are made once the accounts for a quarter have been approved by the Board (i.e. Q1 payment is paid in May payroll, Q2 in Sep, Q3 in Nov and Q4 in Mar). Entitlements are assessed cumulatively so that under-performance in earlier quarters, which is subsequently recovered, will result in a catch up of payments. There is no claw-back or malus withholding if the quarterly payments on account already made exceed the total due for the year. Variable pay linked to medium targets will be paid after the audited statutory accounts of SCISYS PLC for the last year of the respective medium-term period have been published.	During 2017 the split of total variable pay between payments related to Company profitability (Performance Related Pay "PRP") and personal Key Performance Indicators (KPI) was 70:30. During 2017, 50% out of the 70% PRP element related to a short-term adjusted EBITA and to a medium-term target for average Group-adjusted EBITA performance between 2016 and 2019. The short-term adjusted EBITA target for 2017 was £4.56m. The remaining 20% of the PRP was split between two targets, namely a short-term total revenue target (10%) and a medium-term total revenue target (10%). The short-term revenue target for 2017 was £55.12m. Additionally a bonus of up to £40,000 each for Chris Cheetham, Klaus Heidrich and Steve Brignall is payable in March 2019 if an average target surplus increase in Group adjusted EBITA is met during the period 2016 to 2018. Klaus Meng will receive a bonus of up to £10,000 if this ambitious surplus increase is met. Personal KPI-based payments represented a maximum of 30% of the variable pay total for Executive Directors. Performance was reviewed in May/June and December by the Executives' peers.	Profitability linked to a target-adjusted EBITA being achieved. Revenue performance was related to a total revenue target. KPI tied to individual objectives set for each Executive Director to achieve during the year.
Long-term incentive	Long-term incentives are awarded to align the interests of the Executive Director with shareholders and drive long-term performance.	Executive Directors received an annual allocation of share options. These are subject to performance conditions to be met over a period of three years. The performance conditions have been chosen to align the long-term incentive to the performance of the business.	Options awarded during 2017 were set at an option price of £101.50. The maximum potential benefit is therefore linked to the upward movement in the share price at the time the Executive Director elects to exercise the option should the performance conditions be achieved at the end of the three-year holding period. The Option may be exercised between 3 and 10 years from the date it was granted, subject to performance conditions being met.	During 2017 the performance condition was tied to the long-term financial performance of the group based on growth in EPS and average earnings over a three-year period.
Pension	To provide competitive levels of retirement benefit.	The UK-domiciled Executive Directors are entitled to a Company pension contribution at a rate from 6.75% to 8.5% of pensionable pay to be paid into the defined contribution pension scheme open to all of the Company's permanent employees. Pensionable pay is set at basic salary plus 10%. During 2017 Klaus Heidrich, as a German-domiciled Executive Director, received a pension contribution.	Not applicable	Not applicable

EXECUTIVE DIRECTORS (CONTINUED)

Element	Objective and link to strategy	Operation	Maximum potential value	Performance conditions
Other benefits	To provide competitive levels of employment benefits.	Benefits for Executive Directors principally comprise: medical insurance, death-in-service life assurance, permanent health insurance, car allowance/company car and fuel expenses and reasonable business expenses.	Not applicable	Not applicable

Executive Directors' remuneration (audited information)

The remuneration package of the Executive Directors includes basic salary, other benefits and performance-related pay. Details of the payments made to Executive Directors for the year ended 31 December 2017 were as follows:

Executive Directors	Annual Salary £	Performance related pay £	Benefits in kind £	Total 2017 £	Total 2016 £	Pension contribution 2017 £	Pension contribution 2016 £
David Jones	40,000	23,303	365	**63,668**	**70,312**	**-**	-
Chris Cheetham	125,800	33,752	3,195	**162,747**	**143,395**	**9,804**	8,866
Steve Brignall	112,800	32,252	2,909	**147,961**	**138,668**	**8,134**	7,975
Klaus Heidrich	156,718	81,524	5,909	**244,151**	**196,696**	**18,516**	19,154
Klaus Meng#	66,869	23,938	-	**90,807**	**68,400**	**-**	-
Total	502,187	194,769	12,378	**709,334**	**617,471**	**36,454**	35,995

Klaus Meng also received £80,000 remuneration for his duties as a director of subsidiary SCISYS Deutschland GmbH during 2017.

NON-EXECUTIVE CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Chairman

Element	Objective and link to strategy	Operation	Maximum potential value	Performance conditions
Base salary	To attract a Chairman with the requisite skills and experience to perform this role.	Base salary is set annually on 1 January. Salary levels are reviewed on an annual basis by reference to comparable positions in similar sized AIM-listed companies. The Chairman's salary is determined by the Remuneration Committee in consultation with the Executive Directors. We do not depend on formulaic methods for determining this salary.	When considering any increases to base salaries in the normal course of events (as opposed to a change in role or responsibility), the Committee will take into consideration increases being given in comparable groups, pay and conditions of employees throughout the Group and inflation.	Not applicable
Performance related variable salary	The payment of performance related pay is linked to profitability of the Company and the key strategic objectives and drives short-term and medium-term performance.	Cash payments. The Chairman participated in an annual performance related payment scheme covering a part of his total potential earnings. Quarterly payment arrangements are on the same terms as for the Executive Directors, as set out above.	During 2017, 50% out of the 70% PRP element related to a short-term adjusted EBITA and a medium-term target for average Group adjusted EBITA performance between 2016 and 2019. The short-term adjusted EBITA target for 2017 was £4.56m. The remaining 20% of the PRP is split between two targets, namely a short-term total revenue target (10%) and a medium-term total revenue target (10%). The revenue target for 2017 was £55.12m. Performance against the personal objectives of the Chairman was reviewed by the CEO in May and December.	Profitability linked to a target adjusted EBITA being achieved. Revenue performance was related to a total revenue target. Individual objectives for the Chairman to achieve during the year were set by the CEO.
Other benefits	To provide competitive levels of employment benefits.	Benefits for the Chairman principally comprise reasonable business expenses.	Not applicable	Not applicable

Non-Executive Director

Element	Objective and link to strategy	Operation	Maximum potential value	Performance conditions
Base salary	To attract an independent Non-Executive Director with the requisite skills and experience to perform this role.	Base salary is set annually on 1 January. Salary levels are reviewed on an annual basis by reference to comparable positions in similarly sized AIM-listed companies. We do not depend on formulaic methods for determining this salary. The Non-Executive's salary is determined by the full Board. He was first appointed in January 2013 and reappointed on 1 January 2016 for a further three-year term.	When considering any increases to base salaries in the normal course of events (as opposed to a change in role or responsibility), the Board will take into consideration increases being given in comparable groups, pay and conditions of employees throughout the Group and inflation.	Not applicable
Other benefits	To provide competitive levels of employment benefits.	Benefits for the Non-Executive Director comprise reasonable business expenses.	Not applicable	Not applicable

Non-Executive Remuneration

	Fees £	Benefits £	Performance-related pay £	2017 Total £	2016 Total £
Mike Love	34,000	-	10,854	44,854	41,652
David Coghlan	26,000	-	-	26,000	26,000
Total	60,000	-	10,854	70,854	67,652

The aggregate emoluments of the highest paid Director were £244,151 (2016: £196,696).

Significant remuneration policy changes

Additionally a bonus of up to £40,000 for Chris Cheetham, Klaus Heidrich and Steve Brignall will be payable in March 2019 if an ambitious surplus increase in Group-adjusted EBITA is met during the period 2016 to 2018. Klaus Meng will receive a bonus of up to £10,000 if this surplus increase is met.

SERVICE CONTRACTS

The Company's policy on Directors' service contracts is that they should be on a rolling basis without a specific end date. Klaus Heidrich's and Klaus Meng's service contracts are under German law and consequently while they provide for termination on 12 months' notice they would be compensated based on 24 months' salary unless the termination was due to the individual's default. To align the service contracts of the UK resident Directors with those of the DE resident Directors, following a change of control causing the termination of their service contracts they are entitled to the equivalent of 24 months' salary (unless such termination resulted from their default or the previous poor performance of the Company, as decided in the sole discretion of the Remuneration Committee).

Under their letters of appointment the Chairman and Non-Executive Director are entitled to receive 6 months' notice of termination of their employment.

Director	Effective Term	Notice period
Steve Brignall	Rolling (with no fixed expiry date)	12 months by the Company and by the Director
Chris Cheetham	Rolling (with no fixed expiry date)	12 months by the Company and by the Director
Klaus Heidrich	Rolling (with no fixed expiry date)	12 months by the Company and by the Director
David Jones	Rolling (with no fixed expiry date)	12 months by the Company and by the Director
Klaus Meng	Rolling (with no fixed expiry date)	12 months by the Company and by the Director

The Board's policy is that service contracts of Executive Directors should provide for termination by SCISYS on no more than one year's notice. The service contracts of David Jones, Steve Brignall and Chris Cheetham provide for such a period of notice.

DIRECTORS' INTERESTS IN SHARES

The Directors who held office at the end of the financial year reported having the following beneficial interests in the 25p ordinary shares of the Company as at the end of December 2017:

	Interest in ordinary shares		Total interest in HMRC approved Company Share Option Plan (CSOP)		Total interest in options granted under the Enterprise Management Incentive (EMI) scheme		Total interest in Unapproved Share Option Plan		Total interest in shares	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
Mike Love	**4,337,103**	4,308,105	**75,000**	75,000	**0**	27,300	**0**	0	**4,412,103**	4,410,405
Steve Brignall	**168,632**	127,241	**135,000**	135,000	**0**	40,258	**0**	0	**303,632**	302,499
Chris Cheetham	**114,978**	74,720	**135,000**	135,000	**0**	40,258	**0**	0	**249,978**	249,978
David Jones	**187,668**	160,368	**125,000**	125,000	**0**	27,300	**0**	0	**312,668**	312,668
Klaus Meng	**2,832,826**	2,832,826	**0**	0	**0**	0	**0**	0	**2,832,826**	2,832,826
Klaus Heidrich	**102,760**	60,460	**0**	0	**0**	0	**106,000**	138,300	**208,760**	198,760
David Coghlan	**6,276**	6,276	**0**	0	**0**	0	**0**	0	**6,276**	6,276
Totals	**7,750,243**	7,569,996	**470,000**	470,000	**0**	135,116	**106,000**	138,300	**8,326,243**	8,313,412

Ordinary shares under option by Directors as at the end of December 2017 were as follows – all options have performance conditions applied:

	As at 1 January 2017	Granted	Exercised	Lapsed/ forfeited	As at 31 December 2017	Date of grant	Date from which options can be exercised
Mike Love							
EMI Scheme option price 46.25p	27,300	-	27,300	-	-	Jan-08	2011
CSOP option price of 25p	35,000	-	-	-	35,000	Jan-09	2012
CSOP option price of 52p	20,000	-	-	-	20,000	Apr-10	2013
CSOP option price of 50.50p	20,000	-	-	-	20,000	Apr-11	2014
Total	102,300	-	-	-	75,000		

DIRECTORS' INTERESTS IN SHARES

	As at 1 January 2017	Granted	Exercised	Lapsed/ forfeited	As at 31 December 2017	Date of grant	Date from which options can be exercised
Steve Brignall							
EMI Scheme option price 46.25p	40,258	-	40,258	-	-	Jan-08	2011
CSOP option price of 25p	35,000	-	-	-	35,000	Jan-09	2012
CSOP option price of 52p	20,000	-	-	-	20,000	Apr-10	2013
CSOP option price of 50.50p	20,000	-	-	-	20,000	Apr-11	2014
CSOP option price of 51p	20,000	-	-	-	20,000	Apr-12	2015
CSOP option price 82.5p	20,000	-	-	20,000	-	Apr-15	2018
CSOP option price 71p	20,000	-	-	-	20,000	Apr-16	2019
CSOP option price 101.5p	-	20,000	-	-	20,000	Apri-17	2020
Total	175,258	20,000	40,258	20,000	135,000		

	As at 1 January 2017	Granted	Exercised	Lapsed/ forfeited	As at 31 December 2017	Date of grant	Date from which options can be exercised
Chris Cheetham							
EMI Scheme option price 46.25p	40,258	-	40,258	-	-	Jan-08	2011
CSOP option price of 25p	35,000	-	-	-	35,000	Jan-09	2012
CSOP option price of 52p	20,000	-	-	-	20,000	Apr-10	2013
CSOP option price of 50.50p	20,000	-	-	-	20,000	Apr-11	2014
CSOP option price of 51p	20,000	-	-	-	20,000	Apr-12	2015
CSOP option price 82.5p	20,000	-	-	20,000	-	Apr-15	2018
CSOP option price 71p	20,000	-	-	-	20,000	Apr-16	2019
CSOP option price 101.5p	-	20,000	-	-	20,000	Apr-17	2020
Total	175,258	20,000	40,258	20,000	135,000		

	As at 1 January 2017	Granted	Exercised	Lapsed/ forfeited	As at 31 December 2017	Date of grant	Date from which options can be exercised
David Jones							
EMI Scheme option price 46.25p	27,300	-	27,300	-	-	Jan-08	2011
CSOP option price of 25p	35,000	-	-	-	35,000	Jan-09	2012
CSOP option price of 52p	20,000	-	-	-	20,000	Apr-10	2013
CSOP option price of 50.50p	20,000	-	-	-	20,000	Apr-11	2014
CSOP option price of 51p	50,000	-	-	-	50,000	Apr-12	2015
Total	152,300		27,300		125,000		

	As at 1 January 2017	Granted	Exercised	Lapsed/ forfeited	As at 31 December 2017	Date of grant	Date from which options can be exercised
Klaus Heidrich							
unapproved option price of 46.25p	27,300	-	27,300	-	-	Jan-08	2011
unapproved option price of 25p	15,000	-	15,000	-	-	Jan-09	2012
unapproved option price of 52p	8,000	-	-	-	8,000	Apr-10	2013
unapproved option price of 50.50p	8,000	-	-	-	8,000	Apr-11	2014
unapproved option price of 51p	30,000	-	-	-	30,000	Apr-12	2015
unapproved option price of 82.5p	20,000	-	-	20,000	-	Apr-15	2018
unapproved option price of 71p	30,000	-	-	-	30,000	Apr-16	2019
unapproved option price of 101.50p	-	30,000	-	-	30,000	Apr-17	2020
Total	138,300	30,000	42,300	20,000	106,000		

David Coghlan holds 6,276 ordinary shares in SCISYS PLC but does not hold any options over SCISYS PLC shares. Klaus Meng does not hold any options in SCISYS PLC shares.

The Register of Directors' interests is available for inspection during business hours at the Group's head office at Methuen Park, Chippenham, and also at the 2018 Annual General Meeting.

SHARE SCHEMES

Share Incentive Plan

The Group operates an all-staff HMRC approved Share Incentive Plan ('SIP') which was set up in 2001. The UK Directors may participate in this scheme. During the year, eligible staff were able to invest up to £1,800 per annum out of pre-tax pay in purchasing Partnership Shares. At certain times the Company may award Free Shares to eligible employees under the SIP.

As at 31 December 2017 the trust set up to administer the Free and Partnership shares held: 843,652 ordinary shares (2016: 894,087 ordinary shares) in SCISYS PLC.

Share Option Schemes

The Company continues to operate share plans for senior executives and managers as a combined reward and incentive for those who have made a major contribution to the business and will continue to play a key role in helping the Group achieve its strategic objectives. Additionally, awards are made to key staff with high potential or in recognition of significant achievements.

Enterprise Management Incentive (EMI) Scheme

All EMI share options have been exercised and this scheme terminated on 31 December 2017.

Company Share Option Plan (CSOP)

SCISYS adopted a CSOP approved by HMRC in January 2009. Options may be exercised between 3 and 10 years following grant, provided that the performance conditions have been met.

During 2017 SCISYS awarded 202,500 options under the CSOP granted to Directors, senior managers and staff at an issue price of 101.50 pence per share. The total number of CSOP options that remain capable of being exercised at the year end was 912,500. The number of CSOP options granted to Directors is reported on page 51 to 52.

Unapproved Share Option Scheme

The CSOP scheme provides tax benefits for recipients providing they are resident in the UK. For our senior managers in Germany this would be inappropriate so since January 2008 we have awarded options to them under an unapproved scheme but in accordance with similar rules to the CSOP.

During 2017 SCISYS awarded 137,500 options under the Unapproved scheme granted to Directors, senior managers and staff at an issue price of 101.5 pence per share. The total number of these options that remain capable of being exercised at the year-end was 549,000. Options may be exercised between 3 and 10 years following grant, provided that the performance conditions have been met. The number of unapproved options granted to Directors is reported on page 51 to 52.

Share Option Performance Conditions

The Remuneration Committee sets performance conditions each time an award of options is made under the CSOP and Unapproved schemes. The EPS growth and average earnings growth are the two key performance measures currently applied. Both EPS growth and average earnings growth remain substantially within the control of Directors and management and therefore the Remuneration Committee continues to consider them to be appropriate measures of the underlying financial performance of the Group.

Options exercised during the year

Directors exercised a total of 177,416 share options during 2017. The total number of options held by Directors is reported on pages 51 to 52.

Dilution

Awards granted under the CSOP and unapproved schemes are satisfied either with treasury shares or with a new issue of shares which is subject to an informal 10% dilution limit in any 10-year period. The current potential dilution is below this level. The total of share options awarded and remaining exercisable at year end was 1,461,500. The Company's current commitment as at 31 December 2017 in respect of its option grants (assuming all performance conditions are met and all option and award holders remain in employment to the final date of exercise under the scheme rules) could be satisfied by issuing this number of new shares.

Share Price

The closing mid-market price of the Company's shares on 29 December 2017 (the last business day in 2017) was 115.5 pence per share. The high and low share mid-market prices during 2017 were 136.5 pence and 92.0 pence, respectively.

The report of the Remuneration Committee has been approved by the Board of Directors for submission to shareholders for their approval at the Annual General Meeting.

Directors' Report

The following matters are reported by the Directors in accordance with the Companies Act 2006 requirements in force at the date of these Annual Report and Financial Statements.

For the year ended 31 December 2017
The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2017.

Principal activities
The principal activities of SCISYS PLC (the 'Company') and its subsidiary companies (the 'Group') are set out within the Strategic Report which comprises the Chairman's Statement and the Strategic Review on pages 5 to 23.

Review of business and future developments
The Consolidated Income Statement for the year ended 31 December 2017 is set out on page 62. A review of the Group's business activities during the year and its prospects for the future can be found in the Strategic Report on pages 5 to 39. These reports together with the Corporate Governance Statement, the Remuneration Committee Report and the Audit Committee Report, are incorporated into this report by reference and should be read as part of this report.

Key performance indicators
The Directors measure the Group's performance principally using the financial indicators (as reflected in this Annual Report) as stated on page 22.

Principal risks and uncertainties
Details of the principal risks and uncertainties considered by the Board to affect the Group, and the related risk mitigation actions, are given on pages 32 to 35.

Group results and dividends
The Group's consolidated accounts show an adjusted operating profit before tax for the year of £4.6m (2016: £3.2m) on revenue of £57.2 (2016: £45.7m). The Company paid an interim dividend 0.59 pence per share on 9 November 2017 and the Directors are recommending the payment of a final dividend of 2.16 per share.

Financial instruments
Details of financial instruments to which the Group is a party are shown in note 22 to the financial statements.

Capital structure
The share capital of SCISYS PLC, issued and unissued, is comprised entirely of one class of ordinary share of 25 pence each. Each share ranks equally and carries the same rights to vote and receive dividends and other distributions declared, made or paid by the Company.

Restrictions on transfer of securities
There are no specific restrictions on the transfer of securities in the Company, which is governed by the Articles of Association and prevailing legislation. Nor is the Company aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or that may result in restrictions on voting rights.

Treasury shares
As at 1 April 2018 the Company held 18,167 shares in Treasury to support the trustee of the SCISYS Share Incentive Plan (SIP) in the event that the SIP trust is unable to procure sufficient shares in the market to fulfil the monthly purchase requirements of staff members of the SIP. In such circumstances the Company would sell sufficient shares from Treasury at the prevailing market price. Treasury shares are also used to fulfil the exercise of share options by employees. All such transactions are announced in accordance with the AIM rules.

Directors
The names of the current Directors and their biographical details are set out on page 42. Details of the interests of the Directors in the Company's shares at year end are set out in the Remuneration Report on pages 48 to 52. David Jones, Klaus Meng and Klaus Heidrich are required to stand for re-election at the Annual General Meeting in 2018. The names of the current divisional directors are set out on page 45, together with Annova's Directors. The powers of the Company's Directors and rules that apply to changes in the Directors are set out in the Company's Articles of Association (the 'Articles'). Any changes to the Articles would require the consent of the Company's shareholders.

Directors' and Officers' Insurance
The Group maintains insurance cover for all Directors and Officers of Group companies against liabilities that may be incurred by them while acting as Directors and Officers.

Directors' indemnity provisions
As permitted by the Articles, each of the Directors has the benefit of an indemnity which is a qualifying third-party indemnity as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the financial year, and is currently in force. No indemnity is provided for the Company's auditor.

Directors' conflicts of interest
The Company has procedures in place for managing conflicts of interest. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with SCISYS PLC or any Group company, they should notify the Board of the Group company in writing or at the next Board meeting. Internal controls are in place to ensure that any related party transactions involving Directors, or their connected parties, are conducted on an arm's length basis. Directors have a continuing duty to update any changes to these conflicts.

Significant shareholdings

As at 1 March 2018, the Company has been notified, in accordance with chapter 5 of the Disclosure and Transparency Rules, of the voting rights held as a shareholder of the Company as shown in the table below.

Investor	Number of Shares held	% interest in the total voting rights of SCISYS PLC
Dr. M.D. Love	4,337,447	14.80
Dr. Meng GmbH & Co KG	2,832,826	9.76
Herald Investment Management Ltd	2,443,691	8.34
Hargreaves Lansdown	1,841,974	6.29
Charles Stanley	1,655,752	5.65
Mr. P.K. Taylor	1,200,000	4.10
Ruffer Investment Company	1,092,500	3.73
Rowan Dartington & Co	945,233	3.23
RC Brown Investment Management	892,960	3.05
Mr & Mrs Hucker	848,723	2.90
Trustees of the SCISYS PLC Share Incentive Plan	838,309	2.86
Alto Invest	770,448	2.63

Directors' interests in shares can be found on pages 51 to 52.

Employee policies

The Group has established employment policies that comply with current legislation and codes of practice, including in the areas of health and safety, diversity and equal opportunities. The Group consults employees on developments and changes to take account of their views when making decisions that may impact on their interests. The Group makes effort to recruit and continue the employment, training and promotion of those persons who are or become disabled. From 2018 the Remuneration Committee will have oversight of any employment policy issues, notified to it by local Human Resources centres.

Employee engagement

The Group engages with its employees regularly through various media: email alerts, bulletins, newsletters, team briefings and twice-yearly all-staff presentations. Details of the performance of the Group are shared with all employees at the appropriate time using these methods.

The Company operates a HMRC-approved share incentive plan to encourage employees to take a greater interest in the Group's performance through share ownership. Details are set out in the Remuneration Committee Report.

Policy on payment of suppliers

The Group's policy during the year was to pay suppliers in accordance with agreed terms which align with good industry practice.

Political donations

No political donations were made (2016: £nil) and it is Company policy not to make such donations.

Going concern

The financial statements have been prepared on a going-concern basis. The Directors have reviewed the Group's objectives, policies and processes for managing its capital, financial risk management, financial instruments, exposure to credit and liquidity risk, as well as financial forecasts. As a result of this review the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going-concern basis in preparing the financial statements.

Post balance sheet events

There are no post balance sheet events to report.

Annual General Meeting

The Company's Annual General Meeting will be held at its offices located at Methuen Park, Chippenham, Wiltshire, SN14 0GB on Thursday 28 June 2018 at noon. The Notice convening the Annual General Meeting and an explanation of the business to be put to the meeting is contained in the separate circular sent to shareholders and on the website at www.scisys.co.uk/who-we-are/investors.html.

Audit information

In the case of each of the persons who are Directors of the Company at the date when this Annual Report was approved:

- So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- Each of the Directors has taken all the steps that he ought to have taken as a Director, to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Auditor

In accordance with the Company's policy of periodically reviewing its relationships with its professional advisers, the Company intends to undertake a tendering process for the provision of audit services in the second quarter of 2018. The current auditor, KPMG LLP, has indicated its willingness to continue in office and will be invited along with a shortlist of other firms to submit a proposal for its re-appointment.

Approved by the Board of Directors and signed on behalf of the Board.

Natasha Laird
Company Secretary
13 April 2018

SCISYS PLC
Registered number: 3426416
Registered office: Methuen Park, Chippenham, Wiltshire, SN14 0GB

Statement of Directors' Responsibilities

PLC

Klaus Heidrich

Chris Cheetham

The Directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, 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 Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Signed on behalf of the Board.

Klaus Heidrich
Chief Executive Officer

Chris Cheetham
Finance Director

13 April 2018

Financial Statements

KPMG

Independent Auditor's Report to the members of SCISYS PLC

1. Our opinion is unmodified

We have audited the financial statements of SCISYS plc ("the Company") for the year ended 31 December 2017 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Balance Sheet, Company Statement of Changes in Equity, and the related notes, including the accounting policies in the Principal Accounting Policies section.

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 31 December 2017 and of the Group's profit for the year then ended;
– the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
– the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
– the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Materiality: group financial statements as a whole	£530k (2016: £450k) 0.9% (2016: 1%) of total revenue
Coverage	100% (2016: 100%) of group total revenue

Risks of material misstatement vs 2016

Recurring Risks	Revenue recognition	◀▶
	Carrying goodwill	◀▶
Parent Company only	Valuation of investments in subsidaries	◀▶

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

KPMG

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, 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. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows (unchanged from 2016):

	The risk	Our response
Revenue recognition – estimation of costs to complete on contracts (£48,042k ; 2016: £37,578k) *Refer to page 67 (accounting policy) and note 1 (financial disclosures)*	**Subjective estimate** The Group recognises revenue on fixed-price development projects by reference to the degree of completion of each project. The degree of completion is measured by reference to costs incurred at the balance sheet date as a percentage of the total estimated costs to complete the project. The assumptions underlying the cost to complete estimates involve judgement, and any changes in the assumptions could have a material impact on the revenue recognised in relation to these projects.	Our procedures included: – **Control design:** Evaluated and tested the Group's key processes and controls in place over revenue recognition and forecast cost estimation. We performed controls testing over the Project Budget Forecast (PBF) reports produced by the Openplan IT System used in calculating revenue to be recognised; – **Personnel interviews:** Discussed the performance of the projects with the Group's project managers, particularly focussing on cost forecasting and contingencies, in order to corroborate the judgements made; – **Historical comparisons:** Challenged the Group's key assumptions in the percentage of completion calculation, based on a retrospective review of the accuracy of the Group's previous estimates, movements in margins on certain projects or types of project over time, and considering the actual historical outturn in relation to each type of project; – **Tests of details:** Agreed a sample of costs from PBF reports back to supporting timesheets or other documentation; – **Assessing transparency:** Assessed the adequacy of the Group's disclosures in relation to the risks and steps taken to mitigate those risks in the judgements made in the financial statements.
Carrying value of goodwill (£15,913k; 2016: £15,593k) *Refer to page 68 (accounting policy) and note 13 (financial disclosures).*	**Forecast-based valuation** The recoverable amounts of the Group's Cash-Generating Units to which goodwill is allocated are determined from value in use calculations, which represents a key judgement area as errors in assumptions, particularly relating to forecast cash flows and discount rates, could result in a material misstatement of the goodwill balance.	Our procedures included: – **Control design:** Evaluated the Group's budgeting procedures upon which the forecast cash flows are based by assessing whether the forecasts (including growth rate) were consistent with the Group's current business strategies; – **Historical comparisons:** Assessed the reasonableness of the budgets by considering the historical accuracy of the previous forecasts; – **Benchmarking assumptions:** Challenged the Group's selection of discount and growth rates by using external data (including competitor analysis) to determine an appropriate range and comparing the actual rate used to that range; – **Sensitivity analysis:** Performed analysis to assess the sensitivity of the impairment reviews to changes in the discount rate, growth rate and the forecast cash flows; – **Assessing transparency:** Assessed whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill.
Parent Company: Carrying value of investments (£17,029k; 2016: £17,030k) *Refer to parent company note 1 (accounting policy) and parent company note 5 (financial disclosures).*	**Forecast-based valuation** The recoverable amounts of the parent Company's investments are determined from value in use calculations, which represents a key judgement area as errors in assumptions, particularly relating to forecast cash flows and discount rates, could result in a material misstatement of the goodwill balance.	Our procedures included: – **Assessing forecasts:** The work on the Group's forecasts as described in the goodwill impairment risk above.

KPMG

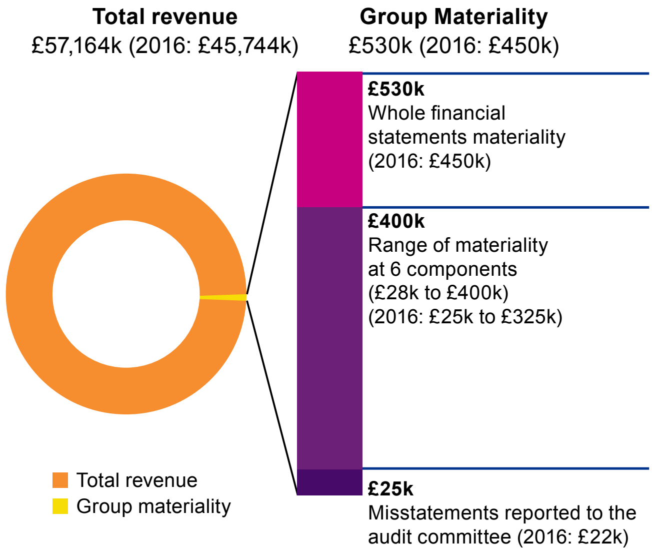
3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £530,000 determined with reference to a benchmark of group total revenue of which it represents 0.9% (2016: 1.0%). We consider total revenue to be the most appropriate benchmark as it provides a more stable measure year on year than group profit before tax.

Materiality for the parent company financial statements as a whole was set at £350,000 (2016: £325,000), determined with reference to a benchmark of company total assets, of which it represents 1.5% (2016: 1.3%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £25,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 6 (2016: 5) reporting components, we subjected all of these to full scope audits for group purposes. The work on 2 of the 6 components (2016: 1 of the 5 components) was performed by component auditors and the rest, including the audit of the parent company, was performed by the Group team. The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from £28,000 to £400,000 (2016: £25,000 to £325,000), having regard to the mix of size and risk profile of the Group across the components.



4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

KPMG

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 56, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and, 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 they 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

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

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.

Robert Fitzpatrick (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square, Bristol, BS1 4BE

18 April 2018

Consolidated Income Statement
& Consolidated Statement of Comprehensive Income

Consolidated Income Statement for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Revenue	2	**57,164**	45,744
Operating costs		**(52,551)**	(42,974)
Share of results of associates		**39**	17
Operating profit	5	**4,652**	2,787
"Adjusted operating profit" being operating profit before share based payments, exceptional items and amortisation arising on business combinations		**4,559**	3,231
Share based payments	30	**-**	14
Amortisation of Intangible assets		**(1,982)**	-
Exceptional items	8	**2,075**	(458)
Operating profit	5	**4,652**	2,787
Finance costs	7	**(718)**	(186)
Finance income	6	**8**	1
Profit before tax		**3,942**	2,602
Tax charge	9	**(593)**	(380)
Profit for the period attributable to equity holders of the parent		**3,349**	2,222

Earnings per share	11		
Basic		**11.5p**	7.6p
Diluted		**11.3p**	7.5p

Consolidated Statement of Comprehensive Income for the year ended 31 December 2017

	2017 £'000	2016 £'000
Profit for the period	**3,349**	2,222
Other comprehensive expense not recycling through the Income Statement		
Currency translation differences on foreign currency investments	**369**	1,105
Total comprehensive income for the period attributable to equity holders of the parent	**3,718**	3,327

Consolidated Statement of Financial Position as at 31 December 2017

	Note	2017 £'000	2016 £'000
Non-current assets			
Goodwill	13	**15,913**	15,593
Other intangible assets	14	**5,173**	6,848
Property, plant and equipment	15	**9,261**	9,057
Interests in associates	16	**-**	90
Other receivables		**92**	85
Deferred tax assets	23	**26**	282
		30,465	31,955
Current assets			
Inventories	17	**321**	261
Trade and other receivables	19	**21,415**	19,621
Corporation tax receivable		**450**	1,098
Cash and cash equivalents	20	**8,021**	6,915
		30,207	27,895
Total assets		**60,672**	59,850
Equity			
Issued share capital	27	**7,329**	7,272
Share premium account		**268**	143
Merger reserve		**943**	943
Retained earnings		**15,201**	12,751
Translation reserve		**1,890**	1,521
Other reserves		**83**	83
Equity attributable to equity holders of the parent		**25,714**	22,713
Current liabilities			
Trade and other payables	24	**17,478**	14,310
Bank overdrafts and loans	21	**2,290**	3,804
Corporation tax payable		**347**	190
Deferred income	26	**240**	459
		20,355	18,763
Non-current liabilities			
Bank loans	21	**11,667**	13,355
Other payables	28	**-**	3,408
Provisions	25	**1,572**	-
Deferred tax	23	**1,364**	1,611
		14,603	18,374
Total liabilities		**34,958**	37,137
Total equity and liabilities		**60,672**	59,850

The financial statements were approved by the Board of Directors on 13 April 2018 and signed on its behalf by:

K M Heidrich
Director

C A Cheetham
Director

Strategic Report

Corporate Governance

Financial Statements

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity for the year ended 31 December 2017

2017	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Capital Redemption Reserve £'000	Translation Reserve £'000	Retained Earnings £'000	Total £'000
Balance as at 1 January 2017	7,272	143	943	83	1,521	12,751	22,713
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	3,349	3,349
Other comprehensive income							
Foreign currency translation	-	-	-	-	369	-	369
Total comprehensive income for the period	-	-	-	-	369	3,349	3,718
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends paid	-	-	-	-	-	(586)	(586)
Issue of new shares	57	125	-	-	-	-	182
Treasury shares	-	-	-	-	-	(471)	(471)
Exercise of share options	-	-	-	-	-	158	158
Total contributions by and distributions to owners	57	125	-	-	-	(899)	(717)
Balance as at 31 December 2017	**7,329**	**268**	**943**	**83**	**1,890**	**15,201**	**25,714**

2016	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Capital Redemption Reserve £'000	Translation Reserve £'000	Retained Earnings £'000	Total £'000
Balance as at 1 January 2016	7,272	143	943	83	416	11,199	20,056
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	2,222	2,222
Other comprehensive income							
Foreign currency translation	-	-	-	-	1,105	-	1,105
Total comprehensive income for the period	-	-	-	-	1,105	2,222	3,327
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends paid	-	-	-	-	-	(671)	(671)
Share based payments	-	-	-	-	-	(14)	(14)
Exercise of share options	-	-	-	-	-	15	15
Total contributions by and distributions to owners	-	-	-	-	-	(670)	(670)
Balance as at 31 December 2016	7,272	143	943	83	1,521	12,751	22,713

Consolidated Statement of Cash Flows

Consolidated Statement of Cash Flows for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Cash flow from operating activities			
Profit before tax		**3,942**	2,602
Net finance costs		**710**	185
Operating profit		**4,652**	2,787
Increase in trade receivables		**(1,804)**	(3,992)
Increase in trade payables		**6,105**	579
(Increase)/decrease in deferred consideration	**28**	**(1,626)**	3,318
Depreciation and amortisation		**3,081**	781
Share of profit of associate		**(39)**	(17)
Share based payments		**-**	(14)
Tax payments		**147**	(1,250)
Net cash flow from operating activities		**10,516**	2,192
Cash flow from investing activities			
Acquisition of subsidiary		**-**	(9,723)
Cash acquired with subsidiary		**-**	2,202
Acquisition of investment in an associate		**82**	-
Proceeds from disposal of property, plant and equipment		**4**	-
Purchase of plant, property and equipment		**(1,259)**	(663)
Exercise of share options		**158**	15
Interest received		**8**	1
Net cash flow from investing activities		**(1,007)**	(8,168)
Cash flows from financing activities			
Dividends paid	10	**(586)**	(671)
Interest paid		**(718)**	(186)
Issue of new shares		**182**	-
Investment in own shares		**(471)**	-
Loans received		**262**	9,906
Debt repayments		**(3,716)**	(939)
Net cash flow from financing activities		**(5,047)**	8,110
Net increase in cash and cash equivalents		**4,462**	2,134
Cash and cash equivalents at the start of the period		**6,666**	3,625
Exchange and other movements		**(3,107)**	907
Cash and cash equivalents at the end of the period		**8,021**	6,666
Cash and cash equivalent deposits held in non-UK based banks		**6,435**	6,709
Net cash deposits with UK based banks		**1,586**	(43)
		8,021	6,666

Principal accounting policies

Statement of compliance
SCISYS PLC (the "Company") is a public company incorporated, domiciled and registered in England in the UK. The registered number is 3426416 and the registered address is 2 Methuen Park, Chippenham, Wiltshire SN14 0GB UK.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and equity account the Group's interest in associates. The parent company financial statements present information about the Company as a separate entity and not about its group.

The group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with FRS 101; these are presented on pages 93 to 94.

Basis of preparation
The accounting policies have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements and on a historical cost basis, with the exception of derivative financial instruments, which are recognised at fair value.

The following standards have been adopted for the first time in 2017. None have a significant effect on the consolidated results or financial position of the Group:

The Group has adopted the following IFRSs in these financial statements:
Amendments to IAS 7: Disclosure Initiative.
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses.

There are no new standards or interpretations endorsed by the EU during the year that impact on the financial results or presentation in 2017. The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

IFRS 9 Financial Instruments (effective date 1 January 2018).
IFRS 15 Revenue from Contract with Customers (effective date 1 January 2018).
IFRS 16 Leases (effective date 1 January 2019).
IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective date to be confirmed).
IFRIC 23 Uncertainty over Income Tax Treatments (effective date to be confirmed).
Annual Improvements to IFRS Standards 2014-2016 Cycle (effective date to be confirmed).
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective date to be confirmed).

Of the above standards and interpretations in issue but not yet effective, only IFRS 15, "Revenue from contracts with customers" and IFRS 16, "Leases", are anticipated to have any potentially material impact on the results and financial position of the Group.

From 1 January 2018 there are changes as per IFRS 15 Revenue from contracts with customers. IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The Group will take into account principal v agent considerations. Where considered an agent, only the mark-up element will be disclosed as revenue, currently the full contract value is considered and when recognised disclosed in other revenue. This may result in additional segmenting of contracts based on individual performance obligations to ensure the various revenue streams are recognised in line with the new standard. IFRS 15 processes are being implemented now in preparation for 2018.

Implementation of the new IFRS15 standard will have a negligible impact on the phasing of anticipated operating profits, although reported revenues will be depressed when compared with previously applied treatment. The reduction reflects provisions in the standard whereby only the mark-up on third-party costs can be recognised as revenue on situations where SCISYS acts in the capacity of an Agent, simply passing the third-party's goods and services to customers through its books. The assessment made by the entity is preliminary as not all transition work requirements have been finalised and therefore may be subject to adjustment.

IFRS 16 is expected to be effective from 1 January 2019 and may require all leases to be reflected on-balance sheet. The potential impact of IFRS 16 on the Group is minimal.

The group financial statements are presented in pounds sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

The Directors consider that it is appropriate to prepare the financial statements on a going concern basis due to the healthy position of the order book and the availability of committed borrowing facilities that provide adequate headroom over forecast working capital requirements for 2018.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Principal accounting policies (continued)

Consolidation
The group financial statements comprise the financial statements of the Company and its subsidiaries made up to 31 December each year. The financial statements of subsidiaries and associates are prepared for the same reporting period as the Company, and adjustments are made where necessary to align accounting policies across the Group.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 per cent of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Business combinations
The acquisition of subsidiaries is accounted for using the purchase method. For all acquisitions prior to 1 January 2010, the cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquired subsidiary, plus any costs directly attributable to the business contribution. Since that date, IFRS 3 (2008) applies and all acquisition costs are expensed as incurred unless related to the raising of finance. The acquired subsidiaries' identifiable assets, liabilities and contingent liabilities that meet the requirement for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Revenue
Revenue from consultancy and other professional services rendered on a fixed-price project is recognised, as the services are performed, by reference to the degree of completion of the project. The degree of completion is measured by reference to own labour costs incurred by the balance sheet date as a percentage of the total estimated own labour costs to completion for each project. Provision is made for all foreseeable losses as soon as they are identified.

Revenue from projects billed on a time and materials basis is recognised in line with performance of the services.

Revenue for software licences is recognised when the product to which the revenue relates is used by the client to process live data in any location, typically at the end of an implementation project. Revenues are not recognised unless their receipt can be predicted with a high level of certainty. Where Configuration services required to create the customer's unique solution and without which the customer obtains no benefit from the licences. The licences and services are combined in a single Performance Obligation with revenues recognised over time on a % of completion basis (subject to a contractual termination for convenience clause and our right to cost-plus payment).

Revenue from the sale of third-party products is recognised on transfer to the customer of the significant risks and rewards of ownership and when:

- it is probable that the economic benefits associated with the transaction will flow;
- the amount of revenue can be measured reliably; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

In practice, this is typically on delivery of the third-party product to the customer.

All revenues are stated net of discounts, VAT and other sales related taxes.

Maintenance revenue is recognised evenly over the term of a contract. Deferred income comprises the element of maintenance revenues invoiced for which the period of maintenance extends beyond the year end.

Leases
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease rentals are recognised as an expense in the Income Statement on a straight-line basis over the lease term. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Exceptional items
Items which are both material and considered by the Directors to be unusual in either nature or size are separately disclosed on the face of the Consolidated Income Statement.

Principal accounting policies (continued)

Foreign currency translation
The presentation currency of the Group is pounds sterling (£), which is also the functional currency of the UK-based group companies. The functional currency of the German subsidiaries is the euro (€). Transactions in foreign currencies are initially recorded at the foreign exchange rate prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the rate of exchange ruling at that date. All differences are recognised in the Consolidated Income Statement.

Assets and liabilities of foreign subsidiaries, including goodwill and fair value adjustments arising on consolidation, are translated into sterling at the rate of exchange ruling at the balance sheet date. Revenues and expenses are translated at the weighted average exchange rate for the year. The exchange differences arising on the retranslation of the opening net investment in subsidiaries, and from the translation of the results of those subsidiaries at average rate, are taken directly to a separate component of equity.

The Group has taken advantage of the exemption available under IFRS 1 to deem the cumulative translation differences for all investments in foreign operations to be zero at 1 January 2006, the date of transition to adopted IFRS. Exchange differences arising after 1 January 2006 from the translation of the net investment in foreign operations are taken to a translation reserve. They are released into the income statement on disposal.

Pensions
The Group operates defined-contribution group personal pension plans, the assets of which are held separately from those of the Group in independently administered funds. The amount charged against profits represents the contributions payable to the schemes in respect of the accounting period.

Taxation
Tax on profits or losses for the year comprises current and deferred tax and is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

The tax currently payable is based on the taxable profit for the year and calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax is provided, using the balance sheet liability method, for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or the initial recognition (other than in a business combination) of an asset or liability in a transaction that affects neither the accounting nor taxable profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries unless the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Freehold land	Not depreciated
Freehold buildings	16 to 50 years
Long leasehold property	Lower of the lease term or 50 years
Short leasehold property	Over the lease term
Plant & machinery	5 to 20 years
Office equipment	3 to 13 years
Motor vehicles	5 years
Computer equipment	2 to 7 years

Goodwill
Goodwill on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities acquired at the date of acquisition. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment charges are deducted from the carrying value and recognised immediately in the Income Statement. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) expected to benefit from the synergies of the combination. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Other intangible assets
The amortisation periods for the intangible fixed assets below are based on their estimated useful lives as follows:

Software licences	3 to 5 years
Annova order book (not straight-line basis)	11 years
Annova acquired software solution	3 years

Impairment of non-current assets
At each reporting date, the Group assesses whether there is any

Principal accounting policies (continued)

indication that an asset may be impaired. If such an indication exists, the Group makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the higher of an asset's fair value less disposal costs and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the amount of goodwill allocated to the applicable CGUs and then to reduce the carrying amount of the other assets on a pro-rata basis. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are valued at the lower of purchase or production cost and net realisable value. Purchase or production cost is based on weighted average values and includes direct costs and attributable indirect costs required by the production process. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments

Trade and other receivables

Trade and other receivables are stated at their fair value on initial recognition and subsequently at amortised cost, i.e. less any impairment losses.

Trade and other payables

Trade and other payables are stated at fair value at initial recognition and subsequently at amortised cost.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Derivative financial instruments

Derivatives are used by the Group to reduce or eliminate exposure to foreign exchange risk. Instruments used include forward exchange deals, cylinder options and currency swaps. The Group does not use derivative financial instruments for speculative purposes.

Changes in the fair value of derivative financial instruments are recognised in the Income Statement as they arise.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value if the effect of the time value of money is material.

Employee benefits

The Group makes provision for employees' holiday pay. The expected cost and associated liability is measured as the additional amount the Group expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

Share-based payment transactions

Employees (including Executive Directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The fair values of the share option schemes in operation have been assessed using Black-Scholes and similar models, as are appropriate to each scheme at the date of grant. The fair values of the schemes are expensed evenly over the period between grant and vesting to the extent expected to vest.

1 Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, management has made the following judgements and estimations that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

The revenue and profit of fixed-price contracts is recognised on a percentage of completion basis when the outcome of a contract can be reliably estimated. Management exercises judgement in determining whether a contract's outcome can be reliably estimated. In addition, management estimates the remaining costs to completion of contracts. These are used in determining the percentage of completion and the value of amounts recoverable on contracts.

Using a risk-basis selection, Directors perform an independent review of key contracts.

IFRS 15

The next significant change affecting SCISYS will be in 2018, when IFRS 15: Revenue from contracts with customers will be adopted. Detailed analysis by the SCISYS Board has established that implementation of the new standard will have a negligible impact on the phasing of anticipated operating profits, although reported revenues will be depressed when compared with previously applied treatment. The reduction reflects provisions in the standard whereby only the mark-up on third-party costs can be recognised as revenue on situations where SCISYS acts in the capacity of an Agent, simply passing the third-party's goods and services to customers through its books. If IFRS 15 had been applied in 2017, revenues would have been £5.5m lower than reported and operating profits would have been unaffected. The assessment made by the entity is preliminary as not all transition work requirements have been finalised and therefore may be subject to adjustment.

Impairment of goodwill

Goodwill is tested for impairment on an annual basis based on management's estimation of the value in use of the cash generating units (CGUs) to which the goodwill has been allocated. The value in use calculation is dependent on management's estimate of future cash flows expected to arise from the CGU and a suitable discount rate.

Cash flows are based on approved detailed operating budgets for the forthcoming year, updated as appropriate, for actual performance since the year end. Annual growth rates are based on independent research analysts' market commentaries.

The discount rate represents the weighted average cost of capital of a market participant, based on management's estimate of the following input parameters for the capital asset pricing model.

- Risk free return: adopted as the yield on 30-year UK Treasury Bonds.
- Market risk premium: derived from academic research by the London Business School.
- Beta factor: approximate market participant value is determined from statistics quoted by Bloomberg for SCISYS PLC and a sample of comparable competitor companies.
- Alpha factor: derived from the return on equity applied by the Group's professional advisers.
- Gearing: approximate market participant value is determined from statistics quoted by Bloomberg for SCISYS PLC and a sample of comparable competitor companies.
- Cost of debt: based on current borrowing rates from the Group's bankers.

Factors also considered:

- Country risk: the Group monitors country risk and carefully considers both the level of provisions against such risk and whether the risk disclosures provide the market with a clear picture of actual and potential exposures,
- Forecasting risk: the use of statistics and modelling to determine future performance based on current and historical data, taking factors such as revenue and economic indicators into account.

The same discount rate has been used for different markets and geographies. The Group's divisions all deal with governments or pseudo-government bodies and considers the risk profile of these contracts to be broadly comparable. Taken together with euro cash flows, the derivation of the discount rate is applicable for the different currency flows. A portfolio of multiple contracts allow the groups divisions to be treated with the same cost of capital, which reflects the Group's aggregated portfolio risks. The only exception is the discount rate used for goodwill impairment testing of the Xibis CGU, which is higher than for the other subsidiaries to reflect the higher perceived risk attaching to smaller entities.

Capitalisation of development expenditure

Development costs associated with the development of software products or enhancements and their related intellectual property rights are expensed as incurred until management judges that all of the following criteria can be demonstrated, in which case it is capitalised as an intangible asset:

- The technical feasibility of completing the tangible asset so that it will be available for use or sale.
- An intention to complete the intangible asset and use or sell it.
- Ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- An ability to measure reliably the expenditure attributable to the intangible asset during its development.

2 Operating segments

The management structure and reporting of financial information to the Chief Operating Decision Maker (the PLC Board) is the basis used to define operating segments.

2 Operating segments (continued)

The Group provides IT services to large corporations and public sector organisations through the following five divisions:

Space
Enterprise Solutions & Defence (ESD)
Media & Broadcast (M&B)
Xibis Ltd
ANNOVA Systems GmbH

The fifth division was active with effect from 1 January 2017 following the acquisition of ANNOVA Systems GmbH on 31 December 2016.

Divisional results, assets and liabilities represent items directly attributable to a division. Unallocated expenses comprise central overheads and corporate expenses. Assets and liabilities that are allocated to operating divisions comprise trade receivables, amounts recoverable on contracts, inventories and payments received on account.

Information about reportable segments

External revenues	Space £'000	ESD £'000	M&B £'000	Xibis £'000	Annova £'000	Total £'000
Year ended 31 December 2017						
Professional fees revenue	**18,629**	**13,383**	**7,958**	**781**	**7,291**	**48,042**
Other revenue	**4,842**	**3,119**	**757**	**74**	**-**	**8,792**
External revenue for reportable segments	**23,471**	**16,502**	**8,715**	**855**	**7,291**	**56,834**
Other external revenue						**330**
Consolidated revenue						**57,164**
Year ended 31 December 2016						
Professional fees revenue	16,293	13,284	7,541	460	-	37,578
Other revenue	3,581	3,368	485	412	-	7,846
External revenue for reportable segments	19,874	16,652	8,026	872	-	45,424
Other external revenue						320
Consolidated revenue						45,744

Profit before tax	Space £'000	ESD £'000	M&B £'000	Xibis £'000	Annova £'000	Total £'000
Year ended 31 December 2017						
Reportable segment contribution	**4,891**	**4,212**	**2,625**	**62**	**510**	**12,300**
Other contribution	**22**	**33**	**10**	**-**	**-**	**65**
Contribution	**4,913**	**4,245**	**2,635**	**62**	**510**	**12,365**
Central overheads						**(5,731)**
EBITA						**6,634**
Amortisation of intangible assets comprising acquired software solution						**(1,246)**
Amortisation of intangible assets comprising acquired order book						**(736)**
Operating Profit						**4,652**
Finance costs						**(718)**
Finance income						**8**
Profit before tax						**3,942**
Year ended 31 December 2016						
Reportable segment contribution	4,229	4,512	2,512	104	-	11,357
Other contribution	(72)	(50)	-	-	-	(122)
Contribution	4,157	4,462	2,512	104	-	11,235
Central overheads						(8,448)
Operating profit						2,787
Finance costs						(186)
Finance income						1
Profit before tax						2,602

2 Operating segments (continued)

Information about reportable segments (continued)

Group assets	Space £'000	ESD £'000	M&B £'000	Xibis £'000	Annova £'000	Total £'000
As at 31 December 2017						
Reportable segment – non-current assets	**3,511**	**-**	**3,380**	**1,090**	**7,931**	**15,912**
Reportable segment – current assets	**9,185**	**6,369**	**1,446**	**264**	**2,862**	**20,126**
	12,696	**6,369**	**4,826**	**1,354**	**10,793**	**36,038**
Other – non-current assets						**14,553**
Other – current assets						**10,081**
Total assets						**60,672**
As at 31 December 2016						
Reportable segment – non-current assets	3,466	-	3,380	1,090	7,657	15,593
Reportable segment – current assets	6,657	6,836	1,534	288	3,209	18,524
	10,123	6,836	4,914	1,378	10,866	34,117
Other – non-current assets						16,362
Other – current assets						9,371
Total assets						59,850

Group liabilities	Space £'000	ESD £'000	M&B £'000	Xibis £'000	Annova £'000	Total £'000
As at 31 December 2017						
Reportable segment – current liabilities	**1,164**	**3,220**	**727**	**11**	**1,905**	**7,027**
Other – non-current liabilities						**14,603**
Other – current liabilities						**13,328**
Total liabilities						**34,958**
As at 31 December 2016						
Reportable segment – current liabilities	1,050	1,360	265	-	1,788	4,463
Other – non-current liabilities						18,374
Other – current liabilities						14,300
Total liabilities						37,137

Geographical split	UK £'000	Rest of Europe £'000	Other £'000	Total £'000
Year ended 31 December 2017				
Revenue from external customers by location of customers	**28,485**	**27,273**	**1,406**	**57,164**
As at 31 December 2017				
Non-current assets:				
Intangible assets	**-**	**21,086**	**-**	**21,086**
Tangible assets	**5,847**	**3,414**	**-**	**9,261**
Other long term assets	**-**	**118**	**-**	**118**
Year ended 31 December 2016				
Revenue from external customers by location of customers	22,052	22,605	1,087	45,744
As at 31 December 2016				
Non-current assets:				
Intangible assets	-	22,441	-	22,441
Tangible assets	5,904	3,153	-	9,057
Interests in associates	-	90	-	90
Deferred tax assets	-	367	-	367

3 Staff numbers and costs

	2017 No.	2016 No.
The average number of persons employed by the Group during the year was as follows:		
Management	**30**	23
Professional	**456**	356
Administration	**73**	59
	559	438

	£'000	£'000
The aggregate payroll costs of these persons were as follows:		
Wages and salaries	**29,583**	23,167
Social security costs	**4,134**	3,094
Pension costs	**907**	847
IFRS2 share based payments credit	**-**	(14)
	34,624	27,094

The remuneration of the highest paid director was £244,000 (2016: £197,000), and Company pension contributions of £19,000 (2016: £19,000) were made to a money purchase scheme on his behalf. Retirement benefits are accruing to 3 directors (2016: 3) under money purchase schemes. Directors' remuneration is borne by the parent company and recharged to the operating subsidiaries. In addition to the above sums, one Director received £80,000 (2016: £78,000) for his duties as a director of SCISYS Deutschland GmbH.

4 Remuneration of Directors

Details of Directors' emoluments, share options and pension entitlements are given in the Remuneration Report on pages 48 to 53.

5 Operating profit

	2017 £'000	2016 £'000
This is stated after charging:		
Net foreign exchange gains on operating activities	**100**	1,167
Hire of other assets – operating leases	**152**	86
Research and development costs	**3,554**	1,996
Depreciation of property, plant and equipment	**952**	738
Amortisation of intangible assets included in operating costs	**146**	43
Fees paid to the Company's auditors for the audit of the company's audited accounts	**23**	42
The audit of the Company's subsidiaries pursuant to legislation	**108**	71
Total audit fees	**131**	113
Fees paid to the Company's auditors and their associates for other services to the Group		
Taxation services and compliance work	**9**	17
Other services (pension advice, grant audit)	**24**	6
Total non-audit fees	**33**	23

6 Finance income

	2017 £'000	2016 £'000
Bank deposit interest	**8**	1

7 Finance costs

	2017 £'000	2016 £'000
Interest on bank loans and overdrafts	**718**	186

8 Exceptional items

	2017 £'000	2016 £'000
Acquisition costs	-	(458)
R&D tax credits	450	-
Contingent consideration	1,625	-
Exceptional items	2,075	(458)

Since 2007 the Board has gauged the underlying performance of business using an adjusted operating profit measure that excludes the costs of the Group's long-term share incentive schemes, exceptional items and any amortisation of intangible assets arising on business acquisition. Internal reporting is exclusively based on adjusted performance measures to facilitate comparison between financial years and publicly available research notes on SCISYS published by financial analysts focuses on these same measures.

Contingent consideration payable for the ANNOVA acquisition is linked both to average profitability over a 3-year earn out period and achievement of key commercial milestones. ANNOVA outperformed the first-year expectations that were reflected in projected amounts payable in the acquisition balance sheet. The anticipated total contingent consideration payable for ANNOVA was reassessed at 31 December 2017, resulting in the exceptional credit.

Up to and including 2016 R&D tax credits were incorporated into the net tax charge but from 2017 these are to be treated as deductions from operating expenses. SCISYS anticipates that it will no longer qualify for the SME tax credit scheme in 2018 as it expects to exceed the headcount eligibility threshold so the above-the-line tax credit in the current period is treated as an exceptional item.

The 2016 acquisition costs represent fees paid to professional advisors and statutory charges relating to the acquisition of ANNOVA that do not qualify for capitalisation as costs for issuing debt or equity instruments.

9 Tax

	2017 £'000	2016 £'000
Current tax:		
UK corporation tax based on the results for the year	-	(443)
Adjustment relating to earlier years R&D tax credit	(281)	(105)
Overseas corporation tax	898	944
Adjustment relating to earlier years	-	(3)
Total current tax	617	393
Deferred tax:		
Overseas deferred taxation (note 23)	(24)	(13)
Total tax charge	593	380

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 19.25% (2016: 20.00%). The actual effective tax rate for the current year is lower (2016: lower) than this standard rate.

A reduction in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax assets and liabilities at 31 December 2017 have been calculated based on these rates.

9 Tax (continued)

The total tax charge for the year can be reconciled to the profit per the Income Statement as follows:

	2017 £'000	2016 £'000
Profit from operations before taxation:	**3,942**	2,602
Tax charge at standard rate of 19.25% (2016: 20.00%)	**759**	520
Expenses not deductible for tax purposes	**358**	174
Other income non taxable	**(1,545)**	-
Other items including permanent differences:		
Research & Development tax credits	**(309)**	(661)
Adjustment in respect of foreign tax and exchange rates	**1,105**	354
Short term timing differences	**(2)**	(3)
Movement in deferred tax asset not recognised	**407**	9
Movement in deferred tax rates	**47**	97
Movement in respect of change in tax rate	**-**	(2)
Capital allowances in excess of depreciation	**41**	-
Adjustment relating to earlier years	**(268)**	(108)
Total tax charge	**593**	380

10 Dividends

	2017 £'000	2016 £'000
Final dividend for 2015 paid in the year: 1.78p per share	**-**	517
Interim dividend for 2016 paid in the year: 0.53p per share	**-**	154
Final dividend for 2016 paid in the year: 1.43p per share	**414**	-
Interim dividend for 2017 paid in the year: 0.59p per share	**172**	-
	586	671

The Board proposes payment of a final dividend for 2017 of 1.57p per share in July 2018.

11 Basic & diluted earnings per share

The calculation of the Group basic and diluted earnings per ordinary share is based on the following data:

Number of shares	2017 Weighted average number of shares '000	2017 Excluding own shares held '000	2017 Net number of shares '000	2016 Weighted average number of shares '000	2016 Excluding own shares held '000	2016 Net number of shares '000
Basic earnings per ordinary share	**29,154**	**(83)**	**29,071**	29,086	(39)	29,047
Diluted earnings per share	**29,723**	**(83)**	**29,640**	29,616	(39)	29,577

Earnings	2017 £'000	2016 £'000
Profit on ordinary activities after taxation	**3,349**	2,222
Basic earnings per share	**11.5p**	7.6p
Diluted earnings per share	**11.3p**	7.5p

Own shares held

"Own shares held" represent the number of shares held in treasury.

Diluted earnings per share

The weighted average number of shares for the calculation of diluted earnings per share is computed using the treasury share method. This takes into account the entitlement of holders of EMI, CSOP and unapproved share options to purchase ordinary shares at an exercise price below the average market price for the year.

12 Adjusted earnings per share

In order to present a measure of earnings per share that is more representative of the Group's underlying operating performance, earnings are adjusted to be net of the pre-tax costs shown in the highlighted box on the face of the Income Statement. The calculation of the Group basic adjusted earnings and diluted adjusted earnings per ordinary share is based on the following data:

12 Adjusted earnings per share (continued)

Number of shares	2017 Weighted average number of shares '000	2017 Excluding own shares held '000	2017 Net number of shares '000	2016 Weighted average number of shares '000	2016 Excluding own shares held '000	2016 Net number of shares '000
Basic earnings per ordinary share	**29,154**	**(83)**	**29,071**	29,086	(39)	29,047
Diluted earnings per share	**29,723**	**(83)**	**29,640**	29,616	(39)	29,577

Earnings	2017 £'000	2016 £'000
Profit on ordinary activities after taxation	**3,349**	2,222
Adjusted for:		
Amortisation of intangible assets comprising acquired software solution	**1,246**	-
Amortisation of intangible assets comprising acquired order book	**736**	-
Deferred tax on amortisation of intangible assets	**(337)**	-
Share based payments	**-**	(14)
Exceptional items	**(2,075)**	458
Adjusted profit after taxation	**2,919**	2,666
Basic adjusted earnings per share	**10.0p**	9.2p
Diluted adjusted earnings per share	**9.8p**	9.0p

Own shares held

"Own shares held" represent the number of shares held in treasury.

Diluted earnings per share

The weighted average number of shares for the calculation of diluted earnings per share is computed using the treasury share method. This takes into account the entitlement of holders of EMI, CSOP and unapproved share options to purchase ordinary shares at an exercise price below the average market price for the year.

13 Goodwill

On the acquisition of:	SCISYS DE GmbH £'000	MakaluMedia Internet & Engineering Services GmbH £'000	Xibis Limited £'000	Annova Systems GmbH £'000	Total £'000
Cost and carrying amount:					
At 1 January 2016	5,603	1,070	1,090	-	7,763
Recognised on acquisition of a subsidiary (note 27)	-	-	-	7,657	7,657
Exchange adjustments	-	173	-	-	173
At 1 January 2017	**5,603**	**1,243**	**1,090**	**7,657**	**15,593**
Additions	-	-	-	-	-
Exchange adjustments	-	45	-	275	320
At 31 December 2017	**5,603**	**1,288**	**1,090**	**7,932**	**15,913**

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination.

The carrying amount of goodwill has been allocated as tabulated below:

	2017 £'000	2016 £'000
Space	**3,511**	3,466
Media & Broadcast	**3,380**	3,380
Xibis	**1,090**	1,090
Annova	**7,932**	7,657
	15,913	15,593

13 Goodwill (continued)

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the management for the forthcoming financial year. Anticipated growth rates for contribution and overheads for the subsequent two years are based on current market and business forecasts. Cash flows are then assumed to continue to perpetuity with a constant growth rate in contribution or overheads. With the exception of Annova and Xibis, annual contribution of the CGUs is assumed to grow at 4.0% (2016: 4%) and central overheads at up to 2% (2016: 2%). For Annova the growth rate is 6%. Cash flows are discounted at 10.1% (2016: 10.5%), which the Directors believe to be an appropriate and prudent post-tax weighted average cost of capital (WACC) for a market participant in these segments at the year-end date. This corresponds to a pre-tax discount rate of 14.7% (2016: 15.3%). The WACCs for each of the Space, Media & Broadcast and Annova CGUs are not considered to be materially different due to the comparable nature of their operations and customer bases. For the Xibis CGU, annual contribution is assumed to grow at 10% (2016: 10%) and its cash flows are discounted using a post-tax WACC of 11.5% (2016: 10.5%) to reflect the higher perceived risk attaching to smaller entities. This corresponds to a pre-tax discount rate of 12.0% (2016: 15.3%).

The basis for the Directors' estimates of the input parameters for calculating the discount rate is outlined in note 1. To reduce the headroom in the impairment calculation to nil a post-tax WACC of 12.9% (2016: 13.9%) would be required for the Space and Media & Broadcast CGUs, 15.4% for the ANNOVA CGU and 11.5% (2016: 12.0%) for the Xibis CGU. The Annova CGU has been reviewed for impairment for the first time in 2017. On the basis of this analysis, the Directors consider that no impairment provision is warranted.

14 Other intangible assets

	Acquired software solution £'000	Order book £'000	Software licences £'000	Total £'000
Cost:				
At 1 January 2016	-	-	509	509
Acquired on acquisition of a subsidiary	2,209	4,433	108	6,750
Additions	-	-	64	64
Disposals	-	-	(3)	(3)
Exchange adjustments	-	-	134	134
At 1 January 2017	2,209	4,433	812	7,454
Additions	-	-	208	208
Exchange adjustments	162	81	37	280
At 31 December 2017	2,371	4,514	1,057	7,942
Amortisation:				
At 1 January 2016	-	-	441	441
Charge for the year	-	-	43	43
Disposals	-	-	(3)	(3)
Exchange adjustments	-	-	125	125
At 1 January 2017	-	-	606	606
Charge for the year	1,246	736	146	2,128
Exchange adjustments	-	-	35	35
At 31 December 2017	1,246	736	787	2,769
Carrying amount:				
At 31 December 2017	**1,125**	**3,778**	**270**	**5,173**
At 31 December 2016	2,209	4,433	206	6,848
At 1 January 2016	-	-	68	68

Amortisation is included in the income statement under operating costs.

15 Property, Plant and Equipment

	Freehold & long leasehold property £'000	Computer equipment £'000	Office equipment £'000	Plant & machinery £'000	Total £'000
Cost:					
At 1 January 2016	8,239	4,964	2,923	1,590	17,716
Acquired on acquisition of subsidiary	-	72	34	45	151
Additions	21	451	112	17	601
Disposals	-	(68)	(20)	-	(88)
Exchange adjustments	358	296	161	162	977
At 1 January 2017	8,618	5,715	3,210	1,814	19,357
Additions	31	654	360	6	1,051
Transfers	-	-	19	(19)	-
Disposals	-	(67)	(11)	-	(78)
Exchange adjustments	95	86	46	44	271
At 31 December 2017	8,744	6,388	3,624	1,845	20,601
Depreciation and impairment:					
At 1 January 2016	1,184	4,411	2,667	819	9,081
Charge for the year	201	345	80	112	738
Disposals	-	(67)	(18)	-	(85)
Exchange adjustments	89	263	128	86	566
At 1 January 2017	1,474	4,952	2,857	1,017	10,300
Charge for the year	207	491	129	126	953
Disposals	-	(65)	(10)	-	(75)
Exchange adjustments	27	74	35	26	162
At 31 December 2017	1,708	5,452	3,011	1,169	11,340
Carrying amount:					
At 31 December 2017	**7,036**	**936**	**613**	**676**	**9,261**
At 31 December 2016	7,144	763	353	797	9,057
At 1 January 2016	7,055	553	256	771	8,635

The plant, property and equipment are all shown at cost not valuation.

The Group has pledged freehold and long leasehold land and buildings having a carrying amount of £7,036,000 (2016: £7,144,000) to secure bank loans and overdrafts granted to the Group.

At 31 December 2017, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £7,000 (2016: £20,000).

16 Interests in associates

On 11 September 2015 the Group's German subsidiary, SCISYS Deutschland GmbH ("SCISYS DE"), acquired 33.3% of ToMM Apps GmbH ("ToMM Apps"), a supplier of software development services to SCISYS' Media & Broadcast division. ToMM Apps was formed in 2014 as a university spin-off business in Duisburg, Germany. Trading between group companies and ToMM Apps is outlined in note 33.

In September 2017 SCISYS DE acquired an additional 16.7% of ToMM Apps for €1, increasing its investment to 50%. ToMM Apps will be liquidated under German law and the retained earnings distributed to its shareholders by way of dividends. SCISYS DE expects its receipts to materially cover the carrying value of its investment.

The following table summarises the financial information of ToMM Apps as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies:

16 Interests in associates (continued)

Percentage ownership interest	2017 50.0% £'000	2016 33.3% £'000
Non-current assets	**1**	165
Current assets	**227**	13
Current liabilities	**(75)**	(28)
Net assets (100%)	**153**	150
Group share of net assets	**76**	50
Goodwill	**24**	23
Post-acquisition share of post-tax profits	**56**	17
Dividend	**(156)**	-
Carrying amount of interest in associate	**-**	90
Revenue	**425**	271
Profit after tax (100%)	**112**	47
Post-acquisition post-tax profits	**112**	47
Group share of post-tax profits	**56**	17

17 Inventories

	2017 £'000	2016 £'000
Raw materials	**187**	113
Work-in-progress	**128**	136
Finished goods	**6**	12
	321	261

18 Long-term software development contracts

	2017 £'000	2016 £'000
Contracts in progress at the balance sheet date:		
Amounts due from contract customers included in trade and other receivables (note 19)	**10,324**	7,555
Amounts due to contract customers included in trade and other payables (note 24)	**(7,026)**	(4,463)
	3,298	3,092

All amounts included in trade and other receivables and arising from long-term software development contracts are due for settlement within 12 months for both years.

19 Trade and other receivables

	2017 £'000	2016 £'000
Amounts receivable from the sale of goods and services	**9,256**	10,641
Amounts receivable from long term contracts (note 18)	**10,324**	7,555
Other receivables	**927**	465
Prepayments and accrued income	**908**	960
	21,415	19,621

The average credit period taken on settlement of sales invoices is 35 days (2016: 36).

Due to the nature of the Group's customer base, and in line with previous experience, the Directors consider that the level of irrecoverable amounts receivable is negligible. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

20 Cash and cash equivalents/bank overdrafts

	2017 £'000	2016 £'000
Cash and cash equivalents per balance sheet	**8,021**	6,915
Bank overdrafts	**-**	(249)
Cash and cash equivalents per cash flow statement	**8,021**	6,666

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying value of these assets approximates their fair value.

The Group maintains deposit accounts with a number of banks to suit local operations in Germany. In the UK, sterling and foreign currency cash deposit and overdraft facilities for trading operations are provided by two banking groups. The principal bankers operate a facility agreement that provides for netting off between deposits and borrowings such that interest is payable or receivable on the net overdrawn or credit balance respectively. A second bank provides an online current account with no overdraft facility.

21 Bank overdrafts and loans

	2017 £'000	2016 £'000
Bank overdrafts	**-**	249
Loans – due within one year	**2,290**	3,555
Total due within one year	**2,290**	3,804
Loans – due in year 2	**5,852**	2,172
Loans – due in years 3-5	**5,483**	10,771
Loans – due after year 5	**332**	412
Loans - due after one year	**11,667**	13,355
	13,957	17,159

The Group's loans at the year end consisted of:

1) a euro-denominated loan of £573,000, being the balance remaining on a loan acquired with the SCISYS DE business in 2007. The loan is secured on SCISYS DE's freehold property in Bochum, Germany. Repayments are payable in equal monthly instalments until June 2018 at which time the terms and conditions for repayment and interest for the balance of the loan are renegotiable. Interest is payable monthly at a fixed rate of 2.02% p.a. until 30 June 2018;
2) a term loan of £1,530,000, being the balance remaining on a 5-year term loan of £2,450,000 taken out in May 2011 as part finance for the freehold purchase of the Group's Chippenham headquarters, on which the loan is secured. Repayment is by equal monthly instalments on the basis of a 15-year notional term. The loan was renewed for a further 5 years in May 2016 with no variation in terms. Interest is payable monthly at 3.0% p.a. above LIBOR;
3) a euro-denominated loan of £211,000, being the balance remaining on a £278,000 loan taken out in September 2012 to fund improvements to SCISYS DE's freehold property in Bochum, Germany on which the loan is secured. Repayments are by equal monthly instalments until Jan 2027. Interest is payable monthly at a fixed rate of 1.8% p.a.;
4) a euro-denominated loan of £35,000, being the balance on a loan of £75,000 taken out in November 2013 to fund improvements to SCISYS DE's freehold property in Bochum, Germany on which the loan is secured. Repayments are by equal monthly instalments until November 2020. Interest is payable monthly at a fixed rate of 2.39% p.a. until November 2018;
5) a euro-denominated loan of £236,000, being the balance on a loan of £266,000 taken out in June 2017 to fund refurbishment of SCISYS DE's (leased) Dortmund office, Germany on which the loan is secured. Repayments are by equal monthly instalments until May 2022. Interest is payable monthly at a fixed rate of 1.59% p.a. until May 2022.
6) an unsecured director's loan of £500,000 drawn down in May 2011 as part finance for the freehold purchase of the Group's headquarters in Chippenham. Repayment is due on or before 23 May 2020. Interest is payable 6 monthly at 5.25% p.a. above bank base rate;
7) a term loan of £200,000, being the balance remaining on a £1,200,000 drawn down in December 2014 to support the acquisition of Xibis Limited. The loan is repayable in equal monthly instalments until March 2018 and is secured by debentures granted by all three UK Group companies and a first legal charge over the Group's long leasehold property in Bristol. Interest is payable quarterly at 2.5% p.a. above LIBOR;
8) loan notes of £1,532,000, being the first tranche of notes issued under a £5 million loan note programme in December 2016 to part fund the acquisition of ANNOVA Systems GmbH. The notes are repayable on the 3rd anniversary of the issue date and have second-ranking security behind the senior debt providers. Interest is payable quarterly at a fixed rate of 7.0% p.a.;

21 Bank overdrafts and loans (continued)

9) an unsecured euro-denominated loan of £7,104,000 drawn down in December 2016 to part fund the acquisition of ANNOVA Systems GmbH. The loan is repayable in equal quarterly instalments over 5 years and bears interest at a fixed rate of 2.9% p.a. This loan has been offset by £184k of capitalised deal fees;
10) two subordinated, euro-denominated loans of £1,598,000 and £622,000 provided as deferred consideration to part fund the acquisition of ANNOVA Systems on 31 December 2016. The loans bear interest at a fixed rate of 5% p.a. and are repayable in June 2019. Interest is payable annually in December.

Loan 2 and the loan notes 8 are subject to annual interest cover and debt service covenants.

The multicurrency UK bank overdraft facility of £2,500,000 available at the year end is subject to annual review. A covenant limits utilisation of the overdraft to 60% of trade receivables under 90 days old, invoiced by SCISYS UK Limited. Interest is payable at 3% over bank base rate or currency lending rate as appropriate. In addition, the Group has access to a foreign exchange hedging facility with a maximum exposure limit of £500,000. The UK working capital facilities are secured by debentures from SCISYS PLC and SCISYS UK Limited and a first legal charge over the Group's long leasehold property in Bristol.

The Group's German bankers provide unsecured working capital facilities to cover overdraft and bank guarantee requirements. Total facilities comprise a £1,776,000 overdraft (2016: £2,142,000) and £4,884,000 of bank guarantee lines (2016: £5,140,000). At the year end, there were no overdraft borrowings (2016: £nil). Utilisation of the bank guarantee facilities was £174,000 (2016: £134,000).

22 Financial Instruments

Financial risk and treasury policies

The Group finance department maintains liquidity, manages relations with the Group's bankers, identifies and manages foreign exchange risk and controls Group treasury operations. Treasury dealings such as investments, borrowings and foreign exchange are conducted only to support underlying business transactions. Consequently, the Group does not undertake speculative foreign exchange dealings for which there is no underlying exposure.

The Group's policies for management of the financial risks to which it is exposed are outlined below:

(a) Credit risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables and amounts recoverable on contracts.

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and monies on deposit with financial institutions.

The customer base of the Group is primarily government (and quasi-government) agencies and major prime contractors and previous experience has indicated that no allowance for doubtful receivables is necessary.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Group has no significant concentration of credit risk. The Group's maximum exposure to credit risk at the reporting date is represented by the carrying value of financial assets, as follows:

	2017 £'000	2016 £'000
Trade receivables	**9,256**	10,641
Amounts recoverable on contracts	**10,324**	7,555
Corporation tax receivable	**450**	1,098
Other receivables	**927**	465
Cash and cash equivalents	**8,021**	6,915
	28,978	26,674

The aged analysis of trade receivables is:

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22 Financial instruments (continued)

	Trade receivables		Cash and cash equivalents	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Sterling	**2,508**	4,412	**4,054**	1,498
Euro	**6,589**	6,223	**3,756**	5,417
US Dollars	**159**	6	**211**	-
	9,256	10,641	**8,021**	6,915

The aged analysis of trade receivables is:

	2017	2016
	£'000	£'000
0 to 30 days	**7,102**	5,786
31 to 60 days	**1,752**	4,095
61 to 90 days	**157**	350
>90 days	**245**	410
	9,256	10,641

Standard credit terms are typically 30 days, although a small minority of contracts allow for payment up to 90 days from receipt of invoice or in quarterly instalments. The value of trade receivables included above which is due after more than one year is £25,000 (2016: £92,000).

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group uses a combination of monthly and weekly cash flow forecasts to monitor cash requirements and to optimise its return on investments.

The following are the contractual maturities of financial liabilities.

31 December 2017	**Carrying amount £'000**	**Contractual cash flow £'000**	**Less than 12 months £'000**	**1-2 years £'000**	**2-5 years £'000**	**More than 5 years £'000**
Bank loans and overdrafts	**13,957**	**16,565**	**2,478**	**6,178**	**7,562**	**347**
Trade and other payables	**17,478**	**17,478**	**17,478**	**-**	**-**	**-**
Corporation tax payable	**347**	**347**	**347**	**-**	**-**	**-**
	31,782	**34,390**	**20,303**	**6,178**	**7,562**	**347**

31 December 2016	Carrying amount £'000	Contractual cash flow £'000	Less than 12 months £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Bank loans and overdrafts	17,159	18,069	4,035	2,374	11,226	434
Trade and other payables	14,310	14,310	14,310	-	-	-
Corporation tax payable	190	190	190	-	-	-
Deferred consideration	(3,318)	(3,318)	-	(375)	(2,943)	-
Foreign currency derivatives - liabilities	(333)	(333)	(333)	-	-	-
	28,008	28,918	18,202	1,999	8,283	434

At 31 December 2017, the Group had available £4,276,000 (2016: £4,402,000) of undrawn committed borrowing facilities.

(c) Market risk

Market risk is the risk that changes in market prices, such as currency rates and interest rates, will affect the Group's results. The objective of market risk management is to manage and control risk to within suitable parameters.

(c) (i) Currency risk

The Group is exposed to foreign currency risk on transactions which are denominated in a currency other than sterling.

A proportion of the Group's Media & Broadcast division and Annova's contracts undertaken in Germany with costs in euros generate revenues

22 Financial instruments (continued)

in sterling. This creates a natural hedge against UK-based Space division contracts denominated in euros for which costs are incurred in sterling. The main net currency risk for such contracts lies in the period between tender and signature of contract during which it is impractical to enter into committed forward foreign exchange contracts. In order to mitigate this risk, the Group's policy is to take out euro/sterling currency hedging agreements to cover anticipated invoicing under existing and tendered contracts up to 18 months in the future.

Sensitivity analysis
It is estimated that, with all other variables held equal, a change of one cent in the value of the euro against sterling would have a £38,000 impact on the Group's operating profit for the year ended 31 December 2017. The method of estimation, consistently applied, involves assessing the transaction impact of euro cash flows and the translation impact of euro profits.

It is estimated that, with all other variables held equal, a change of one cent in the value of the US dollar against sterling would have a £1,000 impact on the Group's operating profit for the year ended 31 December 2017. The method of estimation, consistently applied, involves assessing the transaction impact of dollar cash flows and the translation impact of dollar profits.

Currency hedging contracts are taken out to coincide with quarter end dates. Depending on the exchange rate of the euro at the time cash is received from a customer compared to the forward rates, the Group may enter into currency swaps to transfer any currency receipts into sterling, thereby saving sterling overdraft interest, until such time as the currency is needed to fulfil a particular forward contract at the end of the quarter. The Group has investments in German operations. As a result, the Group's sterling income statement and balance sheet can be affected by movements in the euro/sterling exchange rates.

	2017	2016
Year end rate	**1.126**	1.167
Average rate for the year	**1.142**	1.219

The following forward contracts for sales of euros were entered into between 2016 and 2017 for sales of euros to mitigate currency risk in 2017.

Contract date	Expiry date	Euro amount	Protected rate Euro/£
June 2016	31-Mar-2017	€1.00 million	1.297
June 2016	30-Jun-2017	€1.00 million	1.297
June 2016	30-Sep-2017	€1.00 million	1.274
June 2016	31-Dec-2017	€1.00 million	1.274

In addition, SCISYS Deutschland entered into a series of relatively low-value forward contracts to swap sterling receipts for euros in 2018 and 2019. The fair value of all foreign exchange contracts that were outstanding at 31 December 2017 was an asset of £4,000 (2016: liability £325,000), reflected as a £nil liability (2016: £333,000) in trade and other payables and an £4,000 asset (2016: £8,000) reflected in trade and other receivables.

The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operation.

The analysis of borrowings by currency is:

	Sterling £'000	Euro £'000	Total £'000
31 December 2017			
Bank loans	**3,230**	**10,727**	**13,957**
31 December 2016			
Bank overdrafts	-	249	249
Bank loans	3,792	13,118	16,910
	3,792	13,367	17,159

(c) (ii) Interest rate risk
The Group does not undertake any hedging activity in this area.

Cash deposits in sterling and foreign currencies are made at prevailing interest rates. Where rates are fixed, the fixed interest period is generally no more than 3 months.

22 Financial instruments (continued)

The weighted average interest rate profile for the Group's financial liabilities comprising bank overdrafts and loans is set out below

	2017	2016
Bank overdrafts	**3.3%**	3.4%
Bank loans	**3.7%**	3.3%

Sensitivity analysis

An average rise in interest rates during the year of 1% would have increased interest charges by £60,000 (2016: £57,000).

The borrowings are repayable as follows:

	2017	2016
	£'000	£'000
On demand or within one year	**2,290**	3,804
In the second year	**5,852**	2,172
In the third to fifth years inclusive	**5,483**	10,771
After five years	**332**	412
	13,957	17,159
Less: amount due for settlement within 12 months (shown as current liabilities)	**(2,290)**	(3,804)
Amount due for settlement after 12 months	**11,667**	13,355

(d) Capital risk management

The Group's objective when managing share capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure. In order to maintain or adjust the capital structure, the Group may adjust the dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group's net debt at the reporting date was:

	2017	2016
	£'000	£'000
Bank overdrafts	**-**	(249)
Loans	**(13,957)**	(16,910)
Total borrowings	**(13,957)**	(17,159)
Cash and cash equivalents (note 20)	**8,021**	6,915
Group net debt	**(5,936)**	(10,244)

(e) Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are:

	Carrying amount	**Fair value**	Carrying amount	Fair value
	2017	**2017**	2016	2016
	£'000	**£'000**	£'000	£'000
Trade receivables	**9,256**	**9,256**	10,633	10,633
Amounts recoverable on contracts	**10,324**	**10,324**	7,555	7,555
Corporation tax receivable	**450**	**450**	1,098	1,098
Other receivables	**927**	**927**	465	465
Foreign currency derivatives - assets	**4**	**4**	8	8
Cash and cash equivalents	**8,021**	**8,021**	6,915	6,915
Bank overdrafts	**-**	**-**	(249)	(249)
Loans	**(13,957)**	**(13,957)**	(16,910)	(16,915)
Corporation tax payable	**(347)**	**(347)**	-	-
Trade and other payables	**(17,378)**	**(17,378)**	(13,977)	(13,977)
Foreign currency derivatives - liabilities	**-**	**-**	(333)	(333)
Deferred consideration	**-**	**-**	(3,318)	(3,318)
	(2,800)	**(2,800)**	(8,113)	(8,118)

22 Financial instruments (continued)

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above.

Derivatives

Foreign currency derivatives are valued at the year-end date on a mark-to-market basis.

Loans

For periods of fixed interest rates on outstanding loans, savings in interest compared with the application of market interest rates are discounted at the post-tax risk-free discount rate to derive the gain in fair value over carrying value.

Trade and other receivables/payables

For receivables/payables due after more than one year, the notional value is discounted at the post-tax weighted average cost of capital to reflect the fair value.

Fair value hierarchy

The Group's financial instruments measured at fair value, fit with the following fair value hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2).
- Inputs for the asset or liability that are not based on observable market data (Level 3).

The following tables illustrate the Group's net financial assets and liabilities measured at fair value at 31 December 2017 and 31 December 2016:

	Level 1		Level 2		Level 3	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Financial assets	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Foreign currency derivatives - assets	**-**	-	**4**	8	**-**	-

	Level 1		Level 2		Level 3	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Financial liabilities	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Foreign currency derivatives - liabilities	**-**	-	**-**	(333)	**-**	-
Deferred consideration	**-**	-	**-**	-	**-**	(3,318)
	-	-	**-**	(333)	**-**	(3,318)

Level 1 financial instruments

The fair value of financial instruments traded in active markets (commodity futures) is based on quoted market prices at the period end date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing services or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length. The Group has no Level 1 financial instruments.

Level 2 financial instruments

The fair value of financial instruments that are not traded in an active market (forward foreign exchange contracts) are determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates.

The fair value of forward foreign exchange contracts are calculated at the present value of the future cash flows based on observable inputs drawn from a reputable third-party source.

Level 3 financial instruments

The fair value of financial instruments is based on unobservable inputs that are supported by little or no market activity at the statement of financial position dates. These inputs generally reflect the Group's own assumptions about how a market participant would reasonably be expected to determine the price of a financial instrument.

22 Financial instruments (continued)

For deferred consideration, in evaluating the significance of fair value inputs, the Group generally classifies assets or liabilities as Level 3 when their fair value is determined using unobservable inputs that individually, or when aggregated with other unobservable inputs, represent more than 10% of the fair value of the observable inputs of the assets or liabilities.

There have been no transfers between levels in the year (2016: no transfers in either direction).

Reconciliation of Level 3 fair value:

It is the Group's policy to recognise all the transfers into the levels at the end of the reporting period.

	Deferred consideration £'000
Cost and carrying amount:	
At 1 January 2016	-
On acquisition	**(3,318)**
At 1 January 2017	**(3,318)**
Settlement	**1,855**
Writedown	**1,648**
Exchange adjustments	**(186)**
At 31 December 2017	**-**

The following table shows the valuation techniques used for Level 2 and Level 3 fair values, as well as the significant unobservable inputs used for Level 3 items.

Element	Valuation technique	Significant unobservable inputs (Level 3 only)
Financial instruments measured at fair value		
Deferred consideration	The expected payment reflects the calculated cash out flows under possible earn out scenarios and is discounted using a risk-adjusted discount rate	The basis for the Directors' estimates of the input parameters for calculating the discount rate is outlined in note 1 Exchange rate estimate of the input parameter of 1.2 Euros: Sterling The deferred consideration is dependent on the EBITDA generated by ANNOVA over the period 2016 to 2018. The Directors have based their assessment of forecast EBITDA on projections provided by ANNOVA management, adjusted to reflect levels of risk contingency consistent with those used for other Group companies.
Forward exchange contracts	Fair value is estimated from the difference between the contractual forward price and the current forward price for the residual maturity of the contract (based on a reliable third party provider)	
Financial instruments not measured at fair value		
Debt securities	Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.	
Other financial liabilities	Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.	

23 Deferred tax

The following are the major deferred tax liabilities recognised by the Group and movements thereon during the current and prior reporting period:

	Temporary timing differences £'000
At 1 January 2016	301
On acquisition	994
Credit to income	(13)
Exchange differences	47
At 1 January 2017	1,329
Credit to income	(24)
Exchange differences	33
At 31 December 2017	**1,338**

The deferred tax is disclosed as follows:

	2017 £'000	2016 £'000
Deferred tax liabilities	**1,364**	1,611
Deferred tax assets	**(26)**	(282)
Net liability	**1,338**	1,329

Unused tax losses for which no deferred tax asset has been recognised are £4,417,000 (2016: £4,417,000), giving rise to a potential deferred tax asset of £751,000 (2016: £751,000). Furthermore, there is an unrecognised deferred tax asset in respect of excess management expenses, deductible temporary differences and capital allowances of £1,902,000 (2016: £1,468,000). The total deferred tax asset not recognised, computed at the applicable rate of 17% is £2,653,000 (2016: £2,219,000).

24 Trade and other payables

	2017 £'000	2016 £'000
Trade payables	**3,290**	2,976
Payments on account (note 18)	**7,026**	4,463
Taxation and social security	**351**	350
Other payables	**3,483**	3,895
Accruals	**3,328**	2,626
	17,478	14,310

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 39 days (2016: 40 days). Whilst the typical credit terms from suppliers require payment within 30 days, a significant proportion of costs for goods and third-party services in Germany are on longer contractual credit terms of between 60 and 180 days. The Directors consider that the carrying amount of trade payables approximates to their fair value.

25 Provisions

	2017 £'000	2016 £'000
Charges on customer contracts	**1,572**	-

The provisions represent future charges on long-term, fixed-price customer contracts where liabilities are uncertain in either, or both, timing and amount. Values reflect management's best estimate of expenditure required to settle present obligations, discounted to the balance sheet value using a risk-free pre-tax discount rate.

26 Deferred income

	2017 £'000	2016 £'000
Fixed price support and maintenance contracts	**70**	53
Rent receivable	**170**	406
	240	459

27 Share capital and reserves

Share capital

	No of shares	£'000
At the beginning of the year	**29,086,075**	**7,272**
Issued during the year	**232,583**	**57**
At the end of the year	**29,318,658**	**7,329**

The Company has only one class of ordinary shares that carry no right to fixed income.

Shares issued during the year principally represented part-payment of deferred consideration relating to the ANNOVA Systems GmbH acquisition on 31 December 2016. The balance of shares were issued to satisfy maturing employee share options when there was an insufficient stock of Treasury shares available for the purpose.

The analysis of own shares, which are AIM listed investments, held by the Group is:

	No of own shares	% of issued share capital	Nominal value £'000	Market value £'000
31 December 2017				
SCISYS SIP	**180,305**	**0.6%**	**45**	**208**
Treasury	**23,167**	**0.1%**	**6**	**27**
	203,472	**0.7%**	**51**	**235**
31 December 2016				
SCISYS SIP	206,700	0.7%	52	227
Treasury	12,731	0.0%	3	14
	219,431	0.8%	55	241

The Group holds a stock of Treasury shares to satisfy maturing employee share options and to provide the trustees of the SCISYS SIP with a contingent source of supply of SCISYS PLC shares in illiquid market conditions. If the trustees are unable to acquire sufficient shares in the market with funds from employees' monthly payroll deductions, the trustees purchase the shortfall from treasury at the prevailing market price. The own shares held are deducted from retained earnings.

Other reserves

The Share Premium Account was created when the Group issued free shares to employees in 2009. It has been subsequently increased when new shares have been issued to satisfy maturing employee share options. The Merger Reserve reflects the difference between the nominal value and agreed consideration value of shares issued as part consideration for the acquisition of SCISYS DE in 2007.

The Capital Redemption Reserve arises when the Company redeems shares wholly out of distributable profits. The Translation Reserve comprises all foreign exchange differences arising from the translation of the financial statements of non-UK subsidiaries.

28 Acquisition of subsidiary

On 31 December 2016, the Group acquired 100% of the issued share capital of Annova Systems GmbH ("ANNOVA") for a consideration of £12,878,000. ANNOVA is a leading supplier of editorial solutions for the media sector. It has a well-established customer base and a robust business model based on its mature OpenMedia software solution, which provides newsroom system functionality across all media segments, including television, radio and online solutions. This transaction has been accounted for by the purchase method of accounting.

Fair value adjustments have been made to the acquisition balance sheet of ANNOVA to reflect the recognition of intangible assets on acquisition and re-measurement of amounts recoverable on contracts in accordance with the Group's accounting policies. Intangible assets reflect the fair values of the ANNOVA order book at 31 December 2016 and of ANNOVA's proprietary software solution, OpenMedia. The fair value of the acquired order book represents the net present value of the projected net after-tax cashflows arising from unfulfilled orders. Cashflows were discounted at 10.5%, which was the prevailing discount rate at the acquisition date. The fair value of the software solution represents the depreciated replacement cost of an asset if someone were to create it from scratch. Further information on these assets is provided in note 14.

The goodwill arising on the acquisition of ANNOVA is attributable to the synergies achievable from the integration of the acquired business

28 Acquisition of subsidiary (continued)

with the rest of the SCISYS Group operations. These include the benefits of increased resilience from diversification into the wider media & broadcast sector, extension of delivery capability into new technologies and cross selling opportunities for related services and products into the broadened, overlapping customer base. In addition, SCISYS' mature infrastructure will provide a more stable platform to support ANNOVA's geographical expansion plans.

The deferred payments comprise incremental earn-out payments capped at €16,480,000 (£14,117,000) in total, calculated by reference to multiples of between 8.5 and 10.5 times ANNOVA's average EBITDA performance for the financial years to 31 December 2016, 2017 and 2018 less, in each case, an amount equal to €12,500,000 (£10,708,000) plus aggregate earn-out payments already paid at the relevant point in time. All of the earn-out payments are conditional on the achievement of certain key commercial milestones in respect of the BBC Contract and are payable in cash or newly issued SCISYS PLC ordinary shares. The extent to which the total consideration may be satisfied in new shares is subject to a maximum upper limit of 24 per cent.

The fair value of contingent consideration reflects management forecasts for EBITDA achievement over the earnout period, capitalised by the relevant multiples, with the cash flows being risk-adjusted and discounted at the Group's prevailing discount rate of 10.5%. This takes into account the associated risks on average to all the Groups' security holders to finance its assets.

ANNOVA has contributed to the revenues and profits after tax of the Group in 2017.

29 Operating lease arrangements

	2017 £'000	2016 £'000
Minimum lease payments under operating leases recognised as an expense in the year	331	260
Minimum sub-lease payments received during the year recognised as income in the year	313	293

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

	2017 £'000	2016 £'000
Within one year	1,418	1,160
In second to fifth years inclusive	2,067	2,501
Over five years	3,157	2,942
	6,642	6,603

At the balance sheet date, the Group expected to receive future minimum lease payments under non-cancellable sub-leases as follows:

	2017 £'000	2016 £'000
Total minimum sub-lease payments receivable	553	162

Operating lease payments primarily represent rentals payable by the Group for certain of its office properties. Leases are typically negotiated for a minimum lease term of 3 to 5 years with rent reviews coinciding with the renewal dates. The balance of rentals payable are for operating leases on office equipment. Lease income is received from tenants of the Group's office properties and is shown in revenue in the Income Statement.

30 Share-based payment charges

The Group operates a number of share options plans as set out below. The fair values of these schemes have been assessed using the Black-Scholes model, as appropriate to the scheme at the date of grant. The fair values of the schemes are expensed over the period between grant and vesting. Charges for share-based payments under IFRS 2 have been recognised only for issues that were made after 7 November 2002 and had not vested at the transition date as prescribed by IFRS 2 for first-time adoption.

Enterprise Management Incentives (EMI) scheme

The Group established an EMI scheme in April 2007 to incentivise and aid retention of key employees. EMI share options are exercisable at a price equal to the quoted mid-price of SCISYS PLC's shares on the dealing day last preceding the date of grant. The vesting period for the options is three years. There are various performance conditions attaching to the EMI share option grants, including EPS related conditions.

30 Share-based payment charges (continued)

If the EMI share options remain unexercised after a period of 10 years from the date of grant, the EMI share options expire. EMI share options are forfeited if the employee leaves the Group before the options vest. The charge recognised in the year was £nil (2016: £nil)

	Number of share options	Weighted average exercise price	Exercise price range
Outstanding at 1 January 2016	208,469	£0.463	£0.463
Lapsed during the period	(3,356)	£0.463	£0.463
Outstanding at 1 January 2017	205,113	£0.463	£0.463
Lapsed during the period	(1,679)	£0.463	£0.463
Exercised during the period	(203,434)	£0.463	£0.463
Outstanding at 31 December 2017	-	-	-

Unapproved share options

Those Group employees subject to German payroll tax are unable to benefit from the favourable tax treatment available to UK employees through the EMI and CSOP schemes. To incentivise and aid retention of these key employees, they were awarded unapproved share options. The unapproved share options are exercisable at a price equal to the quoted mid-price of SCISYS PLC's shares on the dealing day last preceding the date of grant.

The vesting period for the options is three years. There are various performance conditions attaching to the unapproved share option grants, including EPS related conditions. If the unapproved share options remain unexercised after a period of 10 years from the date of grant, the options expire. Unapproved share options are forfeited if the employee leaves the Group before the options vest. The credit recognised in the year was £nil (2016: £6,000).

	Number of share options	Weighted average exercise price	Exercise price range
Outstanding at 1 January 2016	675,800	£0.579	£0.250 to £0.925
Granted during the period	132,500	£0.710	£0.710
Exercised during the period	(7,800)	£0.463	£0.463
Lapsed during the period	(107,500)	£0.925	£0.925
Outstanding at 1 January 2017	693,000	£0.552	£0.250 to £0.825
Granted during the period	137,500	£1.105	£1.105
Exercised during the period	(166,500)	£0.424	£0.250 to £0.463
Lapsed during the period	(115,000)	£0.825	£0.825
Outstanding at 31 December 2017	549,000	£0.650	£0.250 to £1.015

The information below was used to calculate the IFRS 2 charge for the year.

	09 Apr 2014	29 Apr 2015	21 Apr 2016	27 Apr 2017
Share price at grant	£0.925	£0.825	£0.710	£1.015
Exercise price	£0.925	£0.825	£0.710	£1.015
Expected life (years)	6.5	6.5	6.5	6.5
Expected volatility	40%	40%	40%	40%
Risk free rate	4.5%	2.7%	2.3%	1.7%
Expected dividends	1%	1%	1%	1%
Fair value charge per share	£0.235	£0.131	£0.098	£0.107

Expected volatility was determined by information that was then currently available to the Group.

Company Share Option Plan (CSOP)

The Group introduced an HMRC approved CSOP scheme in January 2009 to incentivise and aid retention of key employees following changes in tax legislation which discontinued the favourable tax treatment for employees in the EMI scheme. CSOP share options are exercisable at a price equal to the quoted mid-price of SCISYS PLC's shares on the dealing day last preceding the date of grant. The vesting period for the options is three years. There are various performance conditions attaching to the CSOP share option grants, including EPS related conditions. If the CSOP share options remain unexercised after a period of 10 years from the date of grant, the CSOP share options expire. CSOP share options are forfeited if the employee leaves the Group before the options vest. The credit recognised in the year was £nil (2016: £8,000).

30 Share-based payment charges (continued)

	Number of share options	Weighted average exercise price	Exercise price range
Outstanding at 1 January 2016	959,500	£0.594	£0.250 to £0.925
Granted during the period	205,000	£0.710	£0.710
Lapsed during the period	(158,000)	£0.918	£0.510 to £0.925
Exercised during the period	(19,000)	£0.506	£0.505 to £0.510
Outstanding at 1 January 2017	987,500	£0.568	£0.250 to £0.825
Granted during the period	202,500	£1.015	£1.015
Lapsed during the period	(205,500)	£0.822	£0.710 to £0.825
Exercised during the period	(72,000)	£0.440	£0.250 to £0.520
Outstanding at 31 December 2017	912,500	£0.620	£0.250 to £1.015

The information below was used to calculate the IFRS 2 charge for the year:

	09 Apr 2014	29 Apr 2015	21 Apr 2016	27 Apr 2017
Share price at grant	£0.925	£0.825	£0.710	£1.015
Exercise price	£0.925	£0.825	£0.710	£1.015
Expected life (years)	6.5	6.5	6.5	6.5
Expected volatility	40%	40%	40%	40%
Risk free rate	4.5%	2.7%	2.3%	1.7%
Expected dividends	1%	1%	1%	1%
Fair value charge per share	£0.235	£0.131	£0.098	£0.107

Expected volatility was determined by information that was then currently available to the Group.

31 Employee's Share Trusts

The Group results include those of the SCISYS Share Incentive Plan.

SCISYS Share Incentive Plan (SIP)

The SCISYS PLC shares held in the SIP on behalf of SCISYS Group employees comprise Partnership Shares and Free Shares. Partnership shares are purchased by employees under an HMRC approved plan from monthly payroll deductions. The Free Shares were issued by the Group in October 2009. The SIP is consolidated into the results of both the Group and the Company to the extent that the shareholding relates to the Free Shares in accordance with the principles of IAS 32 and the cost of the Free Shares is deducted from equity.

Administrative costs, such as stamp duty, dealing commission and legal fees, are borne by the Group. All costs are accounted for as they accrue.

32 Pensions

The Group operates a defined contribution group personal pension plan in the United Kingdom. The pension charge for the year, which represents contributions payable by the Group to these schemes together with the cost of retirement provision outside the United Kingdom, amounted to £907,000 (2016: £847,000). The balance of outstanding payments at 31 December 2017 was £154,000 (2016:£139,000).

33 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its subsidiaries and associate were based on arm's length commercial terms.

Related party transactions arising from post-investment trading with the Group's associate company, ToMM Apps, are summarised as follows:

	2017 £'000	2016 £'000
Operating costs incurred from purchases	**39**	78

33 Related party transactions (continued)

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

In May 2011, the SCISYS PLC Chairman, Dr M D Love, made a personal loan to the Group on arm's length, commercial terms for part financing of the purchase of the freehold in the Group headquarters offices in Chippenham. The terms of the loan are detailed in note 21. Dr M D Love also subscribed for £500,000 of the first tranche of loan notes detailed in note 21 on the same commercial terms as other unrelated party investors.

A component of the funding structure for the acquisition of ANNOVA Systems GmbH on 31 December 2016 was a subordinated loan from the vendor, ANNOVA Holding GmbH (now ANNEO Management Holding GmbH), which is owned by five senior employees of ANNOVA Systems GmbH. The terms of the loan are detailed in note 21 under reference 10).

In April 2017 the Company made awards of share options, either unapproved or under a CSOP scheme, to certain employees of the Group at an exercise price of 101.5p. The Directors' interests in the CSOP options are disclosed in the Remuneration report on page 48. Of the 202,500 CSOP and 137,500 Unapproved options awarded to other employees, senior managers receiving awards of over 10,000 each are set out in the following table:

	No of share options
D Gawthorpe	20,000
K-W Pieper	20,000
A Whitehead	20,000
H Wulf	20,000

In May 2017 ANNOVA Systems GmbH ("Annova") purchased software licences for a consideration of €150,000 from plantri GmbH ("Plantri"). Until May 2017 Plantri was a 51% subsidiary of ANNEO Management GmbH ("Anneo"), a company owned by five Annova senior managers and directors, one of whom, M. Schueller, was also a Plantri director. Anneo sold its shareholding in Plantri and M. Schueller resigned as a director of Plantri in May 2017.

Company balance sheet as at 31 December 2017

	Note	£'000	2017 £'000	£'000	2016 £'000
Fixed assets					
Tangible assets	4		**4,680**		4,804
Investments	5		**17,029**		17,030
			21,709		21,834
Current assets					
Debtors	6	**2,203**		3,291	
Current liabilities					
Creditors: amounts falling due within one year	7	**(3,319)**		(2,838)	
Net current (liability)/assets			**(1,116)**		453
Creditors: amounts falling due after more than one year	8		**(3,372)**		(3,778)
Net assets			**17,221**		18,509
Capital and reserves					
Called-up share capital	9		**7,329**		7,272
Share premium account			**268**		143
Merger reserve			**943**		943
Capital redemption reserve			**83**		83
Profit and loss account			**8,598**		10,068
Shareholders' funds			**17,221**		18,509

SCISYS PLC (the "Company") financial statements are prepared on a going-concern basis. The Company balance sheet contains net current liabilities of £1,116,000 (2016: £453,000 asset), but the Board of Directors have no concerns regarding the effect on the Company due to the consolidated Group's net asset position and the Group's cash-flow forecast.

The accounts were approved by the Board of Directors on 13 April 2018 and were signed on its behalf by:

K M Heidrich,
Director

C A Cheetham,
Director

Company registered number: 3426416

Company statement of Changes in Equity

2017	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Profit & loss account £'000	Total equity £'000
Balance as at 1 January 2017	7,272	143	943	83	10,068	18,509
Total comprehensive income for the period						
Profit for the period	-	-	-	-	(571)	(571)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Issue of new shares	57	125	-	-	-	182
Dividends paid	-	-	-	-	(586)	(586)
Share based payment - Company	-	-	-	-	1	1
Share based payment - subsidiaries	-	-	-	-	(1)	(1)
Exercise of share options	-	-	-	-	(313)	(313)
Total contributions by and distributions to owners	57	125	-	-	(899)	(717)
Balance as at 31 December 2017	**7,329**	**268**	**943**	**83**	**8,598**	**17,221**

2016	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Profit & loss account £'000	Total equity £'000
Balance as at 1 January 2016	7,272	143	943	83	10,573	19,014
Total comprehensive income for the period						
Profit for the period	-	-	-	-	166	166
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Dividends paid	-	-	-	-	(671)	(671)
Share based payment - Company	-	-	-	-	(3)	(3)
Share based payment - subsidiaries	-	-	-	-	(12)	(12)
Exercise of share options	-	-	-	-	15	15
Total contributions by and distributions to owners	-	-	-	-	(671)	(671)
Balance as at 31 December 2016	7,272	143	943	83	10,068	18,509

1 Significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation
These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share-based payments.
- IFRS 13 Fair Value Measurement.
- IFRS 7 Financial Instrument.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Investments
Fixed asset investments in subsidiaries are shown at cost less provision for impairment.

Property, plant and equipment
Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Freehold land	Not depreciated
Freehold buildings	50 years
Computer equipment	2 to 7 years

Share-based payment transactions
Employees (including Executive Directors) of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The fair values of the share option schemes in operation have been assessed using the Black-Scholes model, as appropriate to each scheme at the date of grant. The fair values of the schemes are expensed evenly over the period between grant and vesting.

Where share options and free issue shares are provided to employees of the Company's subsidiaries, the IFRS 2 charge is added to the carrying value of the investment in subsidiaries and recycled in equity. Recharges to subsidiaries by the Company which are clearly linked to the share based payment are considered to be capital transactions and are deducted from the cost of investment in the subsidiaries.

Employee share schemes/Own shares held
Own shares held in the SCISYS Share Incentive Plan (the SIP) to the extent relating to the issue of free shares in October 2009 are treated as being those of the Company and are therefore reflected in the Company financial statements as follows:

- Other assets and liabilities of the SIP are recognised as the assets and liabilities of the Company;
- Consideration paid or received for the purchase or sale of the Company's own shares are shown in the reconciliation of movements in shareholders' funds;
- Finance costs and any administration expenses of the SIP are charged as they accrue;
- Dividends on the free shares held in the SIP are paid to the employee owners.

The SIP has been aggregated with the results of the Company only to the extent that the underlying assets relate to the free share award in October 2009. A further explanation is provided in note 12.

Foreign currencies
Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rate and gains or losses on translation are included in the profit and loss account.

2 Profit for the year

As permitted by Section 408(3) of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. SCISYS PLC reported a loss for the financial year ended 31 December 2017 of £571,000 (2016: profit £166,000). This is stated after charging:

	2017 £'000	2016 £'000
Fees paid to the Company's auditors for the audit of the Company's audited accounts	**23**	40
Fees paid to the Company's auditors and their associates for other services to the Company	**2**	2

3 Staff numbers and costs for the year

Directors' remuneration (as set out in the Remuneration Report on pages 48 to 53) is borne by the Company and recharged to subsidiary undertakings.

	2017 No.	2016 No.
The average number of persons employed by the Company during the year was as follows:		
Management	**8**	6
Administration	**2**	2
	10	8

	£'000	£'000
The aggregate payroll costs of these persons were as follows:	**£'000**	£'000
Wages and salaries	**968**	878
Social security costs	**93**	77
Pension costs	**44**	46
IFRS 2 share based payments charge/(credit)	**1**	(3)
	1,106	998

4 Tangible fixed assets

	Freehold land & buildings £'000	Computer equipment £'000	Total £'000
Cost (not valuation):			
At 1 January 2017	5,282	167	5,449
Additions	-	6	6
At 31 December 2017	5,282	173	5,455
Depreciation:			
At 1 January 2017	591	54	645
Charge for year	106	24	130
At 31 December 2017	697	78	775
Net book value at 31 December 2017	**4,585**	**95**	**4,680**
Net book value at 31 December 2016	4,691	113	4,804

5 Investments

	Investment in subsidiaries £'000
Cost and net book value	
At 1 January 2017	17,030
Transfer of 89% of SCISYS Deutschland GmbH	(10,525)
Increase in SCISYS Deutschland Holding GmbH	10,525
Share based payments for awards to employees of subsidiaries	(1)
At 31 December 2017	**17,029**

5 Investments (continued)

In November 2016, in order to secure financing for the acquisition of ANNOVA Systems GmbH, the Company invested in a newly created intermediate holding company, SCISYS Deutschland Holding GmbH, to act as the acquisition vehicle. Subsequently, the Company transferred 89% of its holding in SCISYS Deutschland GmbH to SCISYS Deutschland Holding GmbH.

The Company has investments in the following companies that affected the profits and net assets of the Group:

Company	Country of registration	Principal activity	Shareholding	Class of shares
SCISYS UK Limited	UK	Computer software and consultancy	100%	£1 ords
SCISYS Deutschland GmbH	Germany	Computer software and consultancy	11%	No-par-value shares representing €673,400
Xibis Limited	UK	Computer software	100%	£1 ords
SCISYS Deutschland Holding GmbH	Germany	Holding company	100%	No-par-value shares representing €25,000
ANNOVA Systems GmbH	Germany	Computer software	100%	No-par-value shares representing €325,000

The investments in SCISYS UK Limited, Xibis Limited, SCISYS Deutschland Holding GmbH and 11% of SCISYS Deutschland GmbH are held directly by the Company. 100% of ANNOVA Systems GmbH and 89% of SCISYS Deutschland GmbH are held by SCISYS Deutschland Holding GmbH. All investee companies principally operate in the country in which they are registered.

The registered addresses of related undertakings are as follows:

Company	Registered address
SCISYS UK Limited Xibis Limited	2 Methuen Park, Chippenham, Wiltshire SN14 0GB UK
SCISYS Deutschland GmbH SCISYS Deutschland Holding GmbH	Borgmann Str 2, 44894 Bochum DE
Annova Systems GmbH	Lyonel-Feininger-Str 26, 80807 Munich DE

6 Debtors

	2017 £'000	2016 £'000
Amounts owed by Group undertakings	**2,178**	3,265
Other debtors	**1**	3
Prepayments and accrued income	**24**	23
	2,203	3,291

7 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Bank loans and overdrafts (note 8)	**2,407**	1,911
Trade creditors	**85**	169
Amounts owed to Group undertakings	**271**	-
Accruals	**556**	758
	3,319	2,838

8 Creditors: amounts falling due after more than one year

	2017 £'000	2016 £'000
Loans	**3,372**	3,746
Provisions	**-**	32
	3,372	3,778

8 Creditors: amounts falling due after more than one year (continued)

The Company's loans at the year end consist of:

1) a term loan of £1,530,000, being the balance remaining on a 5-year term loan of £2,450,000 taken out in May 2011 as part finance for the freehold purchase of the Group's Chippenham headquarters, on which the loan is secured. Repayment is by equal monthly instalments on the basis of a 15-year notional term. The loan was renewed for a further 5 years in May 2016 with no variation in terms. Interest is payable monthly at 3.0% p.a. above LIBOR;
2) an unsecured director's loan of £500,000 drawn down in May 2011 as part finance for the freehold purchase of the Group's headquarters in Chippenham. Repayment is due on or before 23 May 2020. Interest is payable 6 monthly at 5.25% p.a. above bank base rate;
3) a term loan of £200,000, being the balance remaining on a £1,200,000 drawn down in December 2014 to support the acquisition of Xibis Limited. The loan is repayable in equal monthly instalments until March 2018 and is secured by debentures granted by all three UK Group companies and a first legal charge over the Group's long leasehold property in Bristol. Interest is payable quarterly at 2.5% p.a. above LIBOR; and
4) loan notes of £1,532,000, being the first tranche of notes issued under a £5 million loan note programme in December 2016 to part fund the acquisition of Annova Systems GmbH. The notes are repayable on the 3rd anniversary of the issue date and have second-ranking security behind the senior debt providers. Interest is payable quarterly at a fixed rate of 7.0% p.a..

Financial covenants attaching to loan 1 and loan notes 4 above are outlined in note 21 of the Group financial statements
Borrowings are repayable as follows:

	2017 £'000	2016 £'000
Bank overdrafts	**2,044**	1,352
Loans – due within one year	**363**	559
Total due within one year (note 7)	**2,407**	1,911
Loans – due after more than one year	**3,372**	3,746
	5,779	5,657

9 Called-up share capital

Allotted, called up and fully paid	No of shares	£'000
At the beginning of the year	29,086,075	7,272
Issued during the year	232,583	57
At the end of the year	29,318,658	7,329

The Company has only one class of ordinary shares which carry no right to fixed income.

Shares issued during the year principally represented part-payment of deferred consideration relating to the ANNOVA Systems GmbH acquisition on 31 December 2016. The balance of shares were issued to satisfy maturing employee share options when there was an insufficient stock of Treasury shares available for the purpose.

The new shares issued during 2009 were awarded free of charge to Group employees and are held in trust for the employees in the SCISYS Share Incentive Plan (SIP). The SIP purchased the shares with funds gifted to it by the Company's subsidiary, SCISYS UK Limited. SCISYS PLC is regarded as the grantor of an equity settled share based payment arrangement to the subsidiary's employee beneficiaries. The provision of funds by SCISYS UK Limited is treated as a clearly linked recharge and is deducted from the cost of investment in the subsidiary.

The analysis of own shares, which are AIM listed investments, held by the Company is:

	No of own shares	% of issued share capital	Nominal value £'000	Market value £'000
31 December 2017				
SCISYS SIP	**180,305**	**0.6%**	**45**	**208**
Treasury	**23,167**	**0.1%**	**6**	**27**
	203,472	**0.7%**	**51**	**235**
31 December 2016				
SCISYS SIP	206,700	0.7%	52	227
Treasury	12,731	0.0%	3	14
	219,431	0.8%	55	241

9 Called-up share capital (continued)

The Company holds a stock of treasury shares to satisfy maturing employee share options and to provide the trustees of the SCISYS SIP with a contingent source of supply of SCISYS PLC shares in illiquid market conditions. If the trustees are unable to acquire sufficient shares in the market with the funds from employees' monthly payroll deductions, the trustees purchase the shortfall from treasury at the prevailing market price. The own shares held are deducted from retained earnings.

Other reserves

The Share Premium Account was created when the Group issued free shares to employees in 2009. It has been subsequently increased when new shares have been issued to satisfy maturing employee share options.

The Merger Reserve reflects the difference between the nominal value and agreed consideration value of shares issued as part consideration for the acquisition of SCISYS DE in 2007.

The Capital Redemption Reserve arises when the Company redeems shares wholly out of distributable profits.

10 Contingent liabilities

The Company has given an unlimited bank guarantee in respect of its UK subsidiary company, SCISYS UK Limited. At 31 December 2017 the gross borrowings of this company were £nil (2016: £nil).

11 Share-based payment charges

The Company operates a number of share options plans and a free share scheme as set out below. The fair values of these schemes have been assessed using the Black-Scholes model, as appropriate to the scheme at the date of grant. The fair values of the schemes are expensed over the period between grant and vesting. Charges for share–based payments under IFRS 2 have been recognised only for issues that were made after 7 November 2002 and had not vested at the transition date as prescribed by IFRS 2 for first-time adoption.

Enterprise Management Incentives (EMI) scheme

The group established an EMI scheme in April 2007 to incentivise and aid retention of key employees. EMI share options are exercisable at a price equal to the quoted mid-price of SCISYS PLC's shares on the dealing day last preceding the date of grant. The vesting period for the options is three years. There are various performance conditions attaching to the EMI share option grants, including EPS related conditions. If the EMI share options remain unexercised after a period of 10 years from the date of grant, the EMI share options expire. EMI share options are forfeited if the employee leaves the Group before the options vest.

The charge recognised in the year was £nil (2016: £nil). The number of EMI options relating to SCISYS PLC employees at the year end was as follows:

	Number of share options	Weighted average exercise price	Exercise price range
Outstanding at 1 January 2016 and 1 January 2017	16,889	£0.463	£0.463
Exercised during the period	(16,889)	£0.463	£0.463
Outstanding at 31 December 2017	-	-	-

Company Share Option Plan (CSOP)

The Group introduced an HMRC approved CSOP scheme in January 2009 to incentivise and aid retention of key employees following changes in tax legislation which discontinued the favourable tax treatment for employees in the EMI scheme. CSOP share options are exercisable at a price equal to the quoted mid-price of SCISYS PLC's shares on the dealing day last preceding the date of grant. The vesting period for the options is three years. There are various performance conditions attaching to the CSOP share option grants, including EPS related conditions. If the CSOP share options remain unexercised after a period of 10 years from the date of grant, the CSOP share options expire. CSOP share options are forfeited if the employee leaves the Group before the options vest.

11 Share-based payment charges (continued)

The credit recognised in the year was £nil (2016: £2,000). The number of CSOP options relating to SCISYS PLC employees at the year end was as follows:

	Number of share options	Weighted average exercise price	Exercise price range
Outstanding at 1 January 2016	95,000	£0.664	£0.250 to £0.925
Granted during the period	25,750	£0.710	£0.710
Lapsed during the period	(26,250)	£0.925	£0.925
Outstanding at 1 January 2017	94,500	£0.604	£0.250 to £0.825
Granted during the period	30,750	£1.015	£1.015
Lapsed during the period	(26,250)	£0.825	£0.825
Outstanding at 31 December 2017	99,000	£0.517	£0.250 to £1.015

The information provided below was used to calculate the IFRS 2 charge for the year.

	09 Apr 2014	29 Apr 2015	21 Apr 2016	27 Apr 2017
Share price at grant	£0.925	£0.825	£0.710	£1.015
Exercise price	£0.925	£0.825	£0.710	£1.015
Expected life (years)	6.5	6.5	6.5	6.5
Expected volatility	40%	40%	40%	40%
Risk free rate	4.5%	2.7%	2.3%	1.7%
Expected dividends	1%	1%	1%	1%
Fair value charge per share	£0.235	£0.131	£0.098	£0.107

Expected volatility was determined by information that was then currently available to the Company.

Unapproved Share Options

Those Company employees subject to German payroll tax are unable to benefit from the favourable tax treatment available to UK employees through the EMI and CSOP schemes. To incentivise and aid retention of these key employees, they were awarded unapproved share options. The unapproved share options are exercisable at a price equal to the quoted mid-price of SCISYS PLC's shares on the dealing day last preceding the date of grant. The vesting period for the options is three years. There are various performance conditions attaching to the unapproved share option grants, including EPS related conditions. If the unapproved share options remain unexercised after a period of 10 years from the date of grant, the options expire. Unapproved share options are forfeited if the employee leaves the Group before the options vest.

The charge recognised in the year was £1,000 (2016: credit £1,000). The number of unapproved share options relating to SCISYS PLC employees at the year end was as follows:

	Number of share options	Weighted average exercise price	Exercise price range
Outstanding at 1 January 2016	70,000	£0.719	£0.510 to £0.925
Granted during the period	30,000	£0.710	£0.710
Lapsed during the period	(20,000)	£0.925	£0.925
Outstanding at 1 January 2017	80,000	£0.664	£0.510 to £0.825
Granted during the period	30,000	£1.015	£1.015
Lapsed during the period	(20,000)	£0.825	£0.825
Outstanding at 31 December 2017	90,000	£0.664	£0.510 to £0.825

Expected volatility was determined by information that was then currently available to the Company.

11 Share-based payment charges (continued)

	09 Apr 2014	29 Apr 2015	21 Apr 2016	27 Apr 2017
Share price at grant	£0.925	£0.825	£0.710	£1.015
Exercise price	£0.925	£0.825	£0.710	£1.015
Expected life (years)	6.5	6.5	6.5	6.5
Expected volatility	40%	40%	40%	40%
Risk free rate	4.5%	2.7%	2.3%	1.7%
Expected dividends	1%	1%	1%	1%
Fair value charge per share	£0.235	£0.131	£0.098	£0.107

Expected volatility was determined by information that was then currently available to the Company.

12 Employee Share Trusts

The Company results include those of the SCISYS Share Incentive Plan.

SCISYS Share Incentive Plan (SIP)
The SCISYS PLC shares held in the SIP on behalf of SCISYS Group employees comprise Partnership Shares and Free Shares. Partnership Shares are purchased by employees under an HMRC approved plan from monthly payroll deductions. The Free Shares were issued by the Company in October 2009. The SIP is consolidated into the results of both the Group and the Company to the extent that the shareholding relates to the Free Shares.

Administrative costs, such as stamp duty, dealing commission and legal fees, are borne by the Company. All costs are accounted for as they accrue.

Shareholder information, financial calendar & advisers

Shareholders' Enquiries
If you have an enquiry about the Company's business, or about something affecting you as a shareholder (other than queries that are dealt with by the Computershare as registrar), you should contact the Company Secretary by letter to the Company's registered office or by e-mail to investors@scisys.co.uk.

Share Register
Computershare Investor Services PLC maintain the register of members of the Company.
If you have any questions about your personal holding of the Company's shares, please contact:
Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE.
Telephone: +44 (0)870 707 1320
Fax: +44 (0)870 703 6101
or use their investor centre portal at www.uk.computershare.com/investor/.

If you change your name or address or if details on the envelope enclosing this Annual Report, including your postcode, are incorrect or incomplete, please notify the registrars in writing or use their investor centre portal.

Daily Share Price Listings
The Financial Times – AIM

Financial Calendar
Annual General Meeting 28 June 2018
Final dividend payable 27 July 2018

Expected announcement of results for the year ending 31 December 2018:

- Half-year announcement September 2018
- Full-year preliminary announcement March 2019

Company Registered number 3426416.
SCISYS PLC is a company registered in England and Wales

Dividend Tax Allowance
The Company will continue to provide registered shareholders with a confirmation of the dividends paid by SCISYS PLC and this should be included with any other dividend income received when calculating and reporting their total dividend income. It is the shareholder's responsibility to take advice on their tax position and to include all dividend income when calculating any tax liability.

Registered Office
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SN14 0GB

Registered in England and Wales number 3426416

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Legal Advisers
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BS2 0ZX

Nominated Adviser and House Brokers
finnCap Ltd
60 New Broad Street
London EC2M 1JJ

Trademarks

To the extent permissible, this material is provided for general information purposes only and is not intended to confer any legal rights on you. Investors should determine for themselves whether any investment is suitable for their investment needs and seek professional advice for their particular situation. The information is given as of the dates specified and is not updated. Any forward-looking statements are made subject to changes and uncertainties in market conditions, which means that actual results may differ in material respects.

Our Group registered and unregistered trademarks include:

dira!	***2met!***	**egmc²**	**MACSYS**
PLENITER	**SEAF**	**Digiright**	**SEAF**
OpenMedia	**Infinity**	**Now**	**Vision**
NewsBoard	**Cartosys**		

SCISYS

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