Registration number: 05303822

Technetix Group Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2019

Technetix Group Limited

Contents

Technetix Group Limited

Company Information

Directors	Mr D J Ariesen Mr P A Broadhurst Mr J H Brougham Dr C Buechner Mr A J Kellett Mr D J McIntyre
Company secretary	Ms E L Hamilton
Registered office	Innovation House Technetix Business Park Muddleswood Road Albourne, Hassocks West Sussex BN6 9EB
Solicitors	Travers Smith 10 Snow Hill London EC1A 2AL
Auditors	Grant Thornton UK LLP Statutory Auditor St John's House Haslett Avenue West Crawley RH10 1HS

Technetix Group Limited

Strategic Report for the Year Ended 31 December 2019

Listen - Innovate - Deliver

-Dedicated to helping cable operators better compete and win by delivering technologically advanced solutions that enable flexible, powerful networks -

-Investing for the future in a transformative growth market-

The Directors present their strategic report for the year ended 31 December 2019.

Highlights

- Underlying revenue £100.2m (2018: £99.3m); resilient despite customer network spend deferrals
- Core Broadband Technology revenue up 10% to £59.1m (2018: £53.8m); reflecting strategic focus
- Underlying EBITDA up 14% to £5.3m (2018: £4.6m)
- Underlying net cash from operations £4.4m up 85% (2018: £2.4m)
- Net end of year cash up 18% to £12.4m (31 December 2018: £10.6m)
- Investment in R&D maintained; building an attractive product portfolio pipeline
- High profile customer trails of flagship, award winning DBx technology:
    - Working with nbn™, the Australian broadband network operator, achieved upload and download speeds of 1Gbps with DBx-1200S smart amplifiers on their Hybrid Fibre Coax (HFC) access network
    - Working with Westman Communications, a leading Canadian communications operator, successfully installed DBx Platform, providing a solution that brings an easy, reliable upgrade to its current network, as well as providing a modular approach to future network needs
- Acquisition of the broadband business of ECAD GmbH on 26 February 2020; affirming the commitment to the German broadband market and enhancing the value proposition globally with an increased range of innovative fibre to the home (FTTH) products
- Reported revenue £100.0m (2018: £99.2m); reported EBITDA £1.9m (2018: £5.2m) and reported net cash from operations £2.6m (2018: £1.6m)

Report Definitions

The following definitions have been used throughout the report to assist the users' understanding of the business:

Underlying

Underlying revenue, gross profit and EBITDA excludes unrealised amounts arising from fair value changes on forward foreign exchange contracts, share warrant expenses, non- cash equity settled share-based payment expenses, acquisition and integration costs and other costs which are incurred outside the continuing operations of the Group. Underlying net cash from operations excludes exceptional costs and is stated before financing costs. Underlying results are disclosed separately in order to assist readers in their understanding of the underlying performance and trends of the Group. Underlying performance measures are not defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies.

Broadband Technology

Broadband Technology consists of product solutions designed for the Network Access and Connected Home markets. These products have been designed and developed by Technetix R&D for which the business owns the full intellectual property rights as well as a select number of other core products where Technetix, through its applied expertise, has added value over a number of years through a rigorous process of sourcing, qualifying and testing products to its customers specifications.

Review of the business

Technetix is a trusted, professional and customer-focused global provider of network equipment, dedicated to helping cable and telecommunication operators better compete and win. The Group is passionate about engineering and prides itself on helping customers serve millions of subscribers every day. With cutting-edge, technologically advanced products and solutions like DBx, Virtual Segmentation, RemotePHY and MacPHY, Technetix is a partner that cable operators can count on to achieve their most ambitious goals.

Technetix listens, innovates and delivers through:

- Supplying mission critical own IP products in the Network Access and Connected Home markets;
- Selling to 70 countries worldwide and having a direct presence in 18;
- Having long standing, strategic relationships with leading cable operators worldwide;
- An extensive European network with a growing, exciting Americas presence;
- Powerful R&D capabilities in Europe, US and Asia underpinned with 135 granted and pending patents;
- A strong balance sheet with net cash of £12.4m.

Customer network spending trends continue to be subdued across the industry, which is impacting all cable equipment providers. While it is expected that overall spend will continue to be under pressure in the immediate short term, the industry consensus is that spending trends will get incrementally better in the next 12 to 24 months as cable operators reach resolution on the next generation of technology and network architecture they want to install in their networks.

Industry macro-trends, such as bandwidth growth, remain very favourable within the markets we serve and continue to offer significant long-term growth potential. Despite this relative short-term industry softness, the business has maintained its revenue and its investment and cost infrastructure so that it is able to fully capitalise on the rebound in customer spend in the coming years.

Underlying gross profits were £18.9m (2018: £19.2m), with underlying EBITDA at £5.3m (2018: £4.6m), on the back of underlying revenues of £100.2m (2018: £99.3m). Broadband Technology underlying revenues in 2019 were £59.1m (2018: £53.8m). Supply Chain Services underlying revenues in 2018 were £41.1m (2018: £45.5m).

The Group maintained its investment in research and development totalling £4.1m in 2019 (2018: £4.1m). The Group has an exciting new technology pipeline portfolio for release through 2020 and beyond. In the year, the business brought together some of the most respected and influential industry figures to form a distinguished Strategic Advisory Board to help steer the Group's product and service strategy and ensure the Group continues to deliver unique highly innovative and cutting edge solutions products and services which is widely recognized in the industry for doing.

During the year the Group undertook high profile customer trials with its award winning DBx technology. Working with nbn™, the Australian broadband network operator, it achieved symmetrical upload and download speeds of 1Gbps with its DBx-1200S smart amplifiers on nbn's Hybrid Fibre Coax (HFC) access network. Working with Westman Communications, a leading Canadian communications operator, it successfully installed its DBx Platform, providing a solution that brings an easy, reliable upgrade to Westman's current network, as well as providing a modular approach to its future network needs.

The business continues to remain focused on cash generation. The net cash position finished at £12.4m at 31 December 2019 up 18% on 2018 (31 December 2018: £10.6m).

The statement about how the board considers stakeholders in its decision-making is contained in the section 172 statement in the Directors' Report.

Market overview

Broadband networks have completely transformed life in almost every way possible over the past several decades. Advanced technologies like virtual and augmented reality, artificial intelligence, and holograms all rely on the robust broadband networks that Internet Service Providers (ISPs) build and continue to upgrade. In turn, ISPs rely on their partnerships with technology providers to continue to innovate and evolve their networks.

The industry is in the middle of a technological transition; competing technologies are being evaluated by major cable operators for the networks of tomorrow. This evaluation has impacted network spend in the short-term and has been felt across the entire industry. Recently, CableLabs, the industry standards organisation has decided on the specification for DOCSIS 4.0, bringing together various future technology options such as Duplex DOCSIS (FDX), Extended Spectrum DOCSIS (ESD) and Low Latency DOCSIS (LLD). This provides a pathway for all cable operator's HFC networks to be able to expand their capacity to 10GB symmetrical upstream and downstream speeds and beyond keeping residential cable network speed and capacity level or ahead with that of the most advanced FTTH (fibre to the home networks). DOCSIS 4.0 enables operators to start moving ahead with long term investment.

Traffic growth on cable networks continues to be robust. Jefferies, the Investment bank in their report ("SCTE Industry Trends", October 7th, 2019), commented that peak busy hour downstream traffic growth was up 39% year-on-year. This provides the underlying driver for continued network spending by cable operators, as they strive to keep pace with this data capacity and speed demands, lower latency, improved customer satisfaction and avoiding customers churn.

Consumers want more and more content, more often, on more devices including tablets, smart phones, gaming consoles as well as smart-TVs, security cameras and many types of IOT (internet of things) devices. They want to be able to watch this content on demand when it suits them, driving a growing demand for services such as over-the-top-TV and TV-everywhere. In addition, the consumer home is evolving to all IP (internet protocol) architecture and cloud-based operation of both middleware and content storage functions. The home is increasingly filling with IOT (internet-of-things) devices providing information, control, safety, security and medical functionality options. To cope with these trends, network transmission technology is changing and adapting so that this content as well as interactive media and broadband communications (voice, video, data and mobile) can be delivered at the data latency, volumes and speeds now demanded. This trend is only set to continue and in many ways, accelerate.

Just as important, as cable investment expands so does the requirement from cable operators to strive to get an attractive return on investment. Many cable operators do not want to pursue FTTH networks, due principally to the high cost per home passed (estimated at up to $1,000 or more). This is where upgrade investment in existing HFC (hybrid-fibre cable) networks continues to be an attractive solution as HFC can:

- Match fibre speeds now and into the future - out ten to twenty years plus;

- Upgrading existing HFC networks need five to ten times lower capital investment than the required 'fork-lift' front end loaded investment in building new FTTH networks;

- Regulatory and planning restrictions in many countries, impose severe restrictions on the laying of new fibre cable runs in trenches along roads and on utility poles. The costs and time-delays discourage investment in new network build. Upgrading existing HFC networks creates minimal disruption to streets and buildings and significantly lowers carbon footprint.

The significant risks and hurdles of moving to a pure FTTH network means that investment in existing HFC networks will remain robust for years to come. Although FTTH will start to be deployed in major cable operator's networks, this deployment will be gradual over many years and likely targeted new homes or at the highest revenue/profit subscribers in specific high-density geographies, with the majority of the network and subscribers remaining on HFC networks.

The overall broadband cable equipment market will remain strong and continue to offer long term growth opportunities.

Strategy

Technetix is positioned as a technologically naturally hedged business. It is ideally positioned to take advantage of both the continued strong investment in the exiting HFC infrastructure as well as being a leading player into the future as cable operators start to evolve parts of their networks through DAA (Distributed Access Architecture) and pushing fibre deeper to the end customer.

The Group has core expertise in RF and optical access technology covering all aspects of HFC cable networks. It is actively investing in innovative new technology solutions such as the new patented Distributed Gain Architecture (DGA) and echo cancelling technology to meet the needs of the new DOCSIS 4.0 standard. These innovations enable additional bandwidth over current HFC infrastructure rather than deploying a fibre network. These HFC upgrades being without additional network electrical power consumption or costly network equipment repositioning.

Cable network upgrades are done gradually over many years. Seamless integration with no disruption to the customer experience are pre-requisites. In this conservative environment 'hand-brake' technology turns are never done. The Group's research and development focus and strategy is tailored to this by continuing to deliver a steady stream of new proprietary best-in-class solutions.

Technetix has the expertise and experience to look into the future and foresee the technologies of tomorrow and execute on them which is widely recognized in the industry. It also has strong and deep strategic relationships with many major cable operators. These tried and tested relationships have been built over many years. This gives the Group access to the main decision makers where the Group's thoughts and ideas count and are translated into the network upgrades of tomorrow. The Group will continue to focus on expanding its customer base by being the favourite partner of choice.

The Group has an extensive technological and geographical footprint, especially in Europe, with a growing presence in the Americas and Asia Pacific regions. This global knowledge can be applied at a local and regional level giving a real strategic advantage.

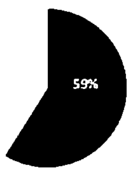
The Group's core business and strategic focus is principally the design and manufacture of products, which it terms Broadband Technology, in partner factories in South East Asia to designs developed in its research and development centres in the United Kingdom, the Netherlands and Belgium. The Group also supplies products under Supply Chain Services agreements to its major key customers under a 'one-stop-shop' concept. This allows it to build and maintain close and unique relationships with those customers, whilst recognising that the margins earned on those products will be lower than the margins from Broadband Technology.

Business performance

The Group reports underlying revenue and product margins under two segments; results for 2019 were:

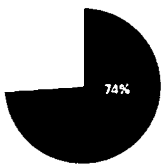
Broadband Technology

Revenue



£59.1m

Product Margin



£15.4m (26.1%)

Supply Chain Services

Revenue

£41.1m

Product Margin

£5.3m (12.9%)

Business performance continued

The Groups strategic focus is on its Broadband Technology products. These products serve the Network Access and Connected Home markets and, in 2019, generated of 59% of the Group's revenue (2018: 54%).

In 2019, underlying revenue from Broadband Technology was £59.1m (2018: £53.8m) delivering a product margin of £15.4m (2018: £16.3m) and a product margin percentage of 26.1% (2018: 30.3%). The decline in margin percentage was driven by foreign exchange. As the majority of products are procured in USD, movements in rates can significantly affect Sterling equivalent cost prices. The average GBP/USD rate in 2019 was $1.277, compared to $1.336 in 2018. Adjusting for 2018 constant currency, Broadband Technology reported margins in 2019 would have been 30%, consistent with 2018.

Supply chain services revenues were £41.1m in 2019 (2018: £45.5m), delivering a product margin of £5.3m (2018: £5.3m) and a product margin percentage of 12.9% (2018: 11.7%). The Group's focus is to continue to grow this area, where there is a strategic logic and strong linkage with our Broadband Technology offering and further strengthen margins through driving efficiency within its supply chain.

Technetix is an international business and has a presence in 18 countries, selling to 70 countries.

The Group's strategy has been to fully leverage its extensive European footprint to drive growth in its traditional Western European markets while continuing to build profile and momentum, particularly in the Americas, Emerging Markets (which includes Eastern Europe) and recently identified significant opportunities in Asia Pacific markets.

Financial review

The reconciliation of underlying revenue, gross profit and EBITDA to those reported is as follows:

	Note	2019 £ 000	2018 £ 000
Reported revenue	5	100,011	99,155
Reduction in revenue related to warrants	26	179	124
Underlying total revenue		100,190	99,279
Cost of sales		(82,641)	(78,619)
Fair value changes on forward foreign exchange contracts	6	1,338	(1,462)
Underlying gross profit		18,887	19,198
Administrative expenses		(19,495)	(18,992)
Depreciation and amortisation	6	4,048	3,615
Exceptional costs	6	1,810	752
Non-cash equity settled share-based payment expense	9	27	56
Underlying EBITDA		5,277	4,629
Underlying EBITDA % revenue		5.3%	4.7%

Underlying gross profit was £18.9m (2018: £19.2m) and underlying EBITDA was £5.3m (2018: £4.6m).

The Group seeks to reduce its exposure to foreign currency by hedging some of its US dollar requirements, using simple forward contracts as the US dollar is the benchmark currency for the majority of products purchased. As a consequence of Sterling strengthening in value against the US dollar in the later stages of 2019, currency hedges taken out in 2019 and which were in place at 31 December 2019 are at average rates adverse to current market rates.

As at 31 December 2019, the unrealised loss on fair value changes on forward exchange contracts was £0.6m (31 December 2018: unrealised gain of £0.7m). If Sterling remains at its current rate or strengthens further, these hedges as they mature, will act as a drag on profitability in the first half of 2020. However, not with-standing this, a strengthening Sterling against the US dollar will positively impact margins as Sterling equivalent cost prices will reduce.

The Group remains focused on managing its operating cost base, continually looking for improved operational efficiencies, centralising resources and more use of IT solutions to replace previously manual tasks, while also continuing to invest in its priority areas of research and development, sales, management and support infrastructure.

Exceptional costs
The business incurred exceptional costs of £1.8m in the year (2018: £0.8m). These costs principally relate to legal costs in pursuing competitor IP infringement cases and employee restructuring costs.

Technetix commenced legal action against a competitor in December 2016 as it had identified multiple products on the market which it believed were infringing its patents. In the most recent case, whilst the court stated that the patent would have been infringed by the competitors' products if the patent had been valid, the court decided that the patent was invalid.

Technetix, with its strong balance sheet, invests substantially in R&D and takes the protection of its intellectual property rights very seriously. Its policy is to forcefully defend its intellectual property against anyone who it believes has infringed any of its rights and despite the outcome of this case, the policy remains unchanged.

Research and development
The Group continued to invest in R&D, as the Board view this as critical to maintaining its competitive advantage and future growth plans. The total gross R&D spend in 2019 of £4.1m was consistent with 2018 (£4.1m) as we targeted the development of key product technology solutions.

In line with our industry peers and in compliance with IFRS, we continue to capitalise R&D costs where appropriate. The amount capitalised in 2019 was £2.8m (2018: £2.8m), reflecting the significant progress made in gaining customer contracts for many recently developed products and the anticipated future sales volumes.

Dividends
The Board is recommending the payment of a dividend on the 2019 results of 62 pence per share (2018: nil), subject to shareholder approval.

The Board carefully and regularly reviews its ability to pay dividends in line with the Group's profitability and cash flow generation, after taking into account the financing requirements of future initiatives and opportunities which offer attractive shareholder returns.

Cash
The Group finished the year with a net cash position of £12.4m (2018: £10.6m).

During the year the Group repaid £1.6m of borrowings; paid £0.9m on leased assets and £0.5m in interest.
Additionally, it invested £3.6m in tangible and intangible assets, paid £0.4m in tax and generated £9.0m cash flow from underlying operating activities. It also had a cash outflow from non- underlying (exceptional costs) of £1.8m.

The Board is confident that the Group will continue to be cash generative and together with its bank facilities and cash balances, will be able to meet its funding needs into the future.

The reconciliation of net cash generated from operations to reported is as follows:

	Note	2019 £ 000	2018 £ 000
Reported cash generated from operations		7,222	6,649
Exceptional costs	6	1,810	752
Underlying cash generated from operations		9,032	7,401
Tax paid		(382)	(818)
Cash from investing activites		(4,278)	(4,222)
Underlying net cash from operations*		4,372	2,361

*Underlying net cash from operations excludes exceptional costs and is stated before financing costs.

Acquisitions
On 26 February 2020 the Group completed the acquisition of the broadband business of ECAD GmbH, Germany, affirming its commitment to the German broadband market and enhancing its value proposition globablly with an increased range of innovative FTTH products.

The acquisition will enable accelerated growth and market traction for Technetix, particularly with additional German offices in its global network. The ECAD operation will become an integral part of Technetix, enabling the company to further expand its extensive portfolio, while providing a smooth transition to ECAD's customer base.

The Group over its history has successfully acquired and integrated a number of companies and the Group continues to review opportunities and will acquire where it believes value can be created.

Principal risks and uncertainties
There are a number of risks and uncertainties which could impact the Group's long-term performance. It is subject to the same general risks and uncertainties as any other business for example, the impact of changes in the general economic conditions including currency and interest rate fluctuations and the impact of competition, natural disasters and sourcing of materials.

Senior management conducts regular risk reviews to establish the likelihood and impact of risks assessed.

Outlined below is a description of the principal risks and uncertainties that are specific to the business. Not all these factors are within the Group's control. There may be other risks and uncertainties which are unknown to the Group or which may not be material now but could turn out to be material in the future.

i) Brexit
The United Kingdom's recent exiting of the European Union as well as the single market and customs union (commonly referred to as "Brexit") could cause disruption to and create uncertainty surrounding our business, including affecting our relationships with our existing and future customers, suppliers and employees. It may disrupt the tax jurisdictions in which we operate and adversely change the tax benefits and liabilities in those jurisdictions. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws, regulations and standards which could add operational complexity and costs to our business.

The Board keeps this matter under constant review and has undertaken various assessments, the last one being in Quarter four, 2019. These reviews have concluded that the business's current structure and processes in place will ensure that any disruption will not be significant. The Board will undertake further reviews and seek advice if necessary, during 2020 while the UK Government negotiate the future relationship that the UK will have with the European Union and will take any necessary action, should its operational or business model need adjusting, based on the end outcome of these negotiations.

ii) Customers
The Group's business, consistent with the rest of the industry, comes primarily from a few key customers. The loss of one of these customers or a significant reduction in sales to one of these customers would have a materially adverse effect on our business. The Group's strategy is to maintain a strong strategic relationship with these accounts, which it has been very successful at and grow new major accounts in order to mitigate this risk. The geographic expansion, particularly in the United States, will further reduce concentration. Liberty Global Ventures, the investment arm of Liberty Global, our biggest customer, has a strategic investment in the Group, underlining the strength of the ties between our two businesses.

iii) Key suppliers
The Group could be disrupted by the loss of a key supplier. The Group uses a number of supplier factories in different regions, where feasible, to ensure alternative sourcing supply to reduce the risk of a natural disaster affecting the supply chain, however there is a risk that the Group is unable to obtain adequate supply of products for delivery to customers on a timely basis. One of the Group's key aims is to further widen the supply chain, building in more resilience and more sourcing options, where this is deemed to be operationally feasible.

Some of the products Technetix sell are either manufactured in China or use components sourced from China. There is a risk that this could affect deliveries to customers in the event of supply disruption caused by events such as the outbreak of the Coronavirus. Technetix has extensive experience of managing complex global supply chains in its 30 year history and has successfully managed previous disruptions, including those caused by past viral outbreaks and fuel shortages. The business works with its supply partners closely in creating mitigation plans to ensure it can, as far as possible, safeguard continued supply.

iv) Foreign exchange
As the Group's business is international in nature it is exposed to risks associated with changes in foreign currency rates, in particular movements in both the US Dollar and Euro. The Group seeks to reduce its exposure by hedging some of its foreign exchange using forward contracts, yet such methods cannot remove all currency risk to the Group's trading performance.

v) Products
Defects in products and issues experienced by the Group's customers as a result of these defects could result in the Group incurring significant costs in fixing or replacing such products. The Group's reputation with its customers could be adversely affected which may result in lower revenue and lost future business opportunities. Additionally, some of the Group's products use complex technology and multiple components which may from time to time develop defects. The Group has rigorous testing procedures in place aiming to identify any defects or non-compliance with applicable customer or industry standards before products are shipped to customers, however this testing may not identify all potential issues.

vi) Intellectual property
The Group has patent, registered design and trademark protection on all key intellectual property. This protection is executed in all important markets. The Group will continue to very actively pursue any intellectual property infringements by competitors, including taking action through the courts. As the Group has expanded its IP patent portfolio it has seen an increase incidence of infringement. The Group will take a zero-tolerance approach to infringement.

Outlook
We are a strong business with a powerful brand in a market that offers long term growth opportunities.

We continue to make good progress in executing on our strategy and developing market leading technology solutions and view the future with optimism and excitement.

Approved by the Board on 6 March 2020 and signed on its behalf by:

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Mr A J Kellett
Director

Technetix Group Limited

Directors' Report for the Year Ended 31 December 2019

The Directors present their report and the consolidated financial statements for the year ended 31 December 2019.

Directors' of the group
The Directors, who held office during the year, were as follows:

Mr D J Ariesen

Mr P A Broadhurst

Mr J H Brougham

Dr C Buechner

Mr A J Kellett

Mr D J McIntyre

Principal activity
The principal activity of the Group is to design, manufacture and distribute market-leading technology to major broadband cable and telecommunications operators worldwide.

Business review

Fair review of the business

Underlying gross profit was £18.9m (2018: £19.2m), Group underlying EBITDA was £5.3m (2018: £4.6m), on the back of revenues of £100.2m (2018: £99.3m).

Reported gross profit was £17.4m (2018: £20.5m), Group reported EBITDA was £1.9m (2018: £5.2m), on the back of revenues of £100.0m (2018: £99.2m).

A detailed business review, and analysis of performance, can be found in the Strategic Report.

Principal risks and uncertainties

There are a number of risks and uncertainties which could impact the Group's long-term performance. It is subject to the same general risks and uncertainties as any other business. For example; the impact of changes in the general economic conditions including currency and interest rate fluctuations, and the impact of competition, natural disasters and sourcing of materials. Senior management conducts regular risk reviews to establish the likelihood and impact of risks assessed.

A detailed review of the principal risks and uncertainties can be found in the Strategic Report.

Charitable donations
During the year the Group made charitable donations of £20,151 (2018: £21,783). Individual donations were:

	£
Chestnut Tree House	13,700
Other Local Charities	6,451

Financial instruments

Objectives and policies

The Group's operations are exposed to a variety of financial risks that include market risk (including interest rate risk, foreign exchange risk and commodity price risk), credit risk and liquidity risk. Given the size of the Group, it does not delegate the responsibility of managing financial risk to a sub-committee of the Board. The policies set by the Board are implemented by the Group's finance department and monitored by the Board.

Price risk, credit risk, liquidity risk and cash flow risk

(i) Interest rate risk
The Group actively monitors its level of secured and unsecured debt and is required to meet banking covenants on a quarterly basis and report these to its lender. The interest payable on the debt is payable at a floating rate.

(ii) Foreign exchange rate risk
The Group is exposed to foreign exchange risk due to the majority of inventory being purchased in USD and the majority of sales being in GBP and Euro. The Group has managed this risk by hedging a proportion of future USD purchases and EUR sales.

(iii) Commodity price risk
The Group is also exposed to commodity price movements on the key material used in the manufacture of products. These are not directly hedged but the exposure has also been reduced by pricing clauses with some key customers.

(iv) Customer concentration
The Group's business comes primarily from a number of key customers. The loss of one of these customers or a significant reduction in sales to one of these customers could have a material adverse effect on the business. The Groups strategy is to grow these accounts and other new major accounts in order to mitigate this risk.

(v) Credit risk
The Group has implemented policies that require credit checks on potential new customers and those not under contract. Credit limits are continually reassessed by the finance department and where appropriate, the board. Overall the credit quality of customers is considered high. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the Statement of Financial Position date.

(vi) Liquidity risk
The Group prepares detailed cash flow forecasts regularly which are reviewed by management to ensure that cash flow is actively managed around the Group. The Group also prepares regular working capital reports to monitor cash, inventory, receivables and payables levels across Group companies.

vii) Market risk
The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure on the net assets of the Group's foreign operations is managed primarily through borrowings in the relevant foreign currencies.

Employee involvement
The Group continually seeks to recruit and retain the most talented employees who are essential to our success. The Group aims to provide a challenging and fulfilling work environment for its employees and the reputation of the business helps attract talent to the Group. The Group is committed to developing its employees to the maximum of their potential.

By encouraging and rewarding innovative thought and action by our employees across the globe, we inspire innovation within Technetix, our industry and our customers. Employees are provided with numerous learning and development opportunities to fulfil their potential. A variety of courses and training opportunities are also available to employees to enhance their skills.

The Group is committed to providing equality of opportunity to all existing and prospective employees without unlawful discrimination based on religion, disability, gender, age, marital status, sexual orientation, race, ethnicity or any other protected status.

Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report.

To date the Group has met its day to day working capital requirements through its cash resources and a medium term debt financing facility.

The Group's forecasts and projections, taking account of reasonably foreseeable changes in trading performance, show that the Group should be able to operate within the level of its facility.

Having assessed current trading; the strength of customer and supplier relationships; the current order book; the building of momentum in its sector and the banking facilities available to the Group, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Important non adjusting events after the financial period
Since the Statement of Financial Position date a 100% subsidiary company has been incorporated in Germany, Technetix GmbH, which is 100% owned by Technetix Group Ltd. On 26 February 2020 Technetix GmbH acquired the broadband business of ECAD GmbH for a total purchase price of upto €7m, subject to performance conditions in 2020.

The strategic benefits of this acquisition have been disclosed in the Strategic Report.

Directors' liabilities
As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006
The Board of Directors of Technetix Group consider, both individually and together, that they have acted in the way they consider in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2019 and in creating future business plans ('our plans'):

(a) Our plans are designed to have a long-term beneficial impact on the company and to contribute to its success in providing our customers with products and services of the highest functionality and quality. We achieve these objectives by continuing to invest in both our R&D and quality teams as well as other teams that support these.

(b) Our employees are fundamental to the delivery of our plans. We aim to be a responsible and attractive employer in our approach to the pay and benefits our employees receive and the opportunities they have to grow their careers. We believe that people lie at the heart of our business. We have an open and inclusive culture that supports teamwork as well as empowering people to achieve their potential. We embrace diversity and focus on recruiting and retaining outstanding individuals.

(c) Our plans are informed by extensive engagement with customers, enabling us to gain an in depth understanding of their needs and priorities. We are dedicated to providing our customers with world class technology solutions, to help them achieve their goals. We also aim to act responsibly and fairly in how we engage with our suppliers and all other stakeholders.

(d) Our plans consider the impact of the company's operations on the community and the environment. We encourage our employees to support the communities they work in.

(e) As the Board of Directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours and in doing so, will contribute to the delivery of our plans.

(f) As the Board of Directors, our intention is to behave responsibly toward our shareholders and treat them fairly and equally, so they too may benefit from the successful delivery of our plans.

Disclosure of information to the auditor

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on 6 March 2020 and signed on its behalf by:

....

Mr A J Kellett
Director

Technetix Group Limited

Statement of Directors' Responsibilities

The Directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 Company will continue in business.

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

Independent Auditor's Report to the Members of Technetix Group Limited

Opinion
We have audited the financial statements of Technetix Group Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Statement of Financial Position, Consolidated Statement of Changes in Equity, Statement of Changes in Equity, Consolidated Statement of Cash Flows, Statement of Cash Flows, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of uncertainties arising from the UK exiting the European Union on our audit
Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the Directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for Group associated with a course of action such as Brexit.

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

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

In our evaluation of the Directors' conclusions, we considered the risks associated with the Group's business model, including effects arising from Brexit, and analysed how those risks might affect the Group's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group will continue in operation.

Independent Auditor's Report to the Members of Technetix Group Limited (continued)

Other information
The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception
In the light of our knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

Responsibilities of directors
As explained more fully in the Statement of Directors' Responsibilities set out on page 14, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Independent Auditor's Report to the Members of Technetix Group Limited (continued)

Use of our report
This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP
....
Jonathan Maile BSc(Hons) FCA (Senior Statutory Auditor)
For and on behalf of Grant Thornton UK LLP, Statutory Auditor

St John's House
Haslett Avenue West
Crawley
RH10 1HS

6 March 2020

Technetix Group Limited

Consolidated Income Statement for the Year Ended 31 December 2019

	Note	31 December 2019 Before Exceptional Costs £ 000	31 December 2019 Exceptional Costs (Note 6) £ 000	31 December 2019 £ 000	31 December 2018 £ 000
Revenue	5	100,011	-	100,011	99,155
Cost of sales		(82,641)	-	(82,641)	(78,619)
Gross profit		17,370	-	17,370	20,536
Administrative expenses		(17,685)	(1,810)	(19,495)	(18,992)
Operating profit	6	(315)	(1,810)	(2,125)	1,544
Finance costs	8	(748)	-	(748)	(838)
(Loss)/profit before tax		(1,063)	(1,810)	(2,873)	706
Income tax expense	11	(68)	-	(68)	(472)
(Loss)/profit for the year		(1,131)	(1,810)	(2,941)	234
(Loss)/profit attributable to:					
Owners of the Company		(1,131)	(1,810)	(2,941)	234

The above results were derived from continuing operations.

Technetix Group Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2019

	31 December 2019 £ 000	31 December 2018 £ 000
(Loss)/profit for the year	(2,941)	234
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation (losses)	(41)	(319)
Total comprehensive income for the year	(2,982)	(85)
Total comprehensive income attributable to:		
Owners of the Company	(2,982)	(85)

The notes on pages 26 to 55 form an integral part of these financial statements.

Technetix Group Limited

(Registration number: 05303822)
Consolidated Statement of Financial Position as at 31 December 2019

	Note	31 December 2019 £ 000	31 December 2018 £ 000
Assets			
Non-current assets			
Property, plant and equipment	12	865	1,010
Right of use assets	13	4,605	5,168
Intangible assets	14	17,316	16,834
		22,786	23,012
Current assets			
Inventories	16	14,903	15,895
Trade and other receivables	17	9,449	12,998
Income tax asset		234	59
Cash and cash equivalents	18	13,360	13,123
Other current financial assets	23	-	709
		37,946	42,784
Total assets		60,732	65,796
Equity and liabilities			
Equity			
Share capital	24	(7)	(7)
Share premium		(6,637)	(6,637)
Foreign currency translation reserve		(1,423)	(1,464)
Other reserves		(325)	(143)
Retained earnings		(12,944)	(16,040)
Equity attributable to owners of the Company		(21,336)	(24,291)
Non-current liabilities			
Deferred tax liabilities	11	(310)	(439)
Loans and borrowings	20	-	(1,707)
Provisions	21	(13)	(16)
Long term lease liabilities	22	(4,193)	(4,673)
		(4,516)	(6,835)
Current liabilities			
Trade and other payables	19	(30,994)	(32,315)
Loans and borrowings	20	(924)	(854)
Deferred income		(581)	-
Provisions	21	(1,042)	(858)
Current portion of long term lease liabilities	22	(710)	(643)
Other current financial liabilities	23	(629)	-
		(34,880)	(34,670)
Total liabilities		(39,396)	(41,505)
Total equity and liabilities		(60,732)	(65,796)

Approved by the Board on 6 March 2020 and signed on its behalf by:

....

Mr P A Broadhurst
Director

The notes on pages 26 to 55 form an integral part of these financial statements.

Technetix Group Limited

(Registration number: 05303822)
Statement of Financial Position as at 31 December 2019

	Note	31 December 2019 £ 000	31 December 2018 £ 000
Assets			
Non-current assets			
Investments in subsidiaries	15	11,547	11,547
Deferred tax assets	11	35	42
		11,582	11,589
Current assets			
Trade and other receivables	17	6,626	8,358
Cash and cash equivalents	18	146	47
		6,772	8,405
Total assets		18,354	19,994
Equity and liabilities			
Equity			
Share capital	24	(7)	(7)
Share premium		(6,637)	(6,637)
Other reserves		(325)	(143)
Retained earnings		(10,461)	(10,646)
Total equity		(17,430)	(17,433)
Non-current liabilities			
Loans and borrowings	20	-	(1,707)
Current liabilities			
Loans and borrowings	20	(924)	(854)
Total liabilities		(924)	(2,561)
Total equity and liabilities		(18,354)	(19,994)

The loss for the financial year of the Parent Company was £30k (2018: £135k)

Approved by the Board on 6 March 2020 and signed on its behalf by:

....
Mr P A Broadhurst
Director

Technetix Group Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ 000	Share premium £ 000	Foreign currency translation £ 000	Other reserves £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2019	7	6,637	1,464	143	16,040	24,291
Loss for the year	-	-	-	-	(2,941)	(2,941)
Other comprehensive income	-	-	(41)	-	-	(41)
Total comprehensive income	-	-	(41)	-	(2,941)	(2,982)
Reclassification of other reserves	-	-	-	155	(155)	-
Share based payment transactions	-	-	-	27	-	27
At 31 December 2019	7	6,637	1,423	325	12,944	21,336

	Share capital £ 000	Share premium £ 000	Foreign currency translation £ 000	Other reserves £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2018	7	6,637	1,783	87	16,112	24,626
Profit for the year	-	-	-	-	234	234
Other comprehensive income	-	-	(319)	-	-	(319)
Total comprehensive income	-	-	(319)	-	234	(85)
Dividends	-	-	-	-	(306)	(306)
Share based payment transactions	-	-	-	56	-	56
At 31 December 2018	7	6,637	1,464	143	16,040	24,291

Technetix Group Limited

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2019	7	6,637	143	10,646	17,433
Loss for the year	-	-	-	(30)	(30)
Total comprehensive income	-	-	-	(30)	(30)
Reclassification of other reserves	-	-	155	(155)	-
Share based payment transactions	-	-	27	-	27
At 31 December 2019	7	6,637	325	10,461	17,430

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2018	7	6,637	87	11,087	17,818
Loss for the year	-	-	-	(135)	(135)
Total comprehensive income	-	-	-	(135)	(135)
Dividends	-	-	-	(306)	(306)
Share based payment transactions	-	-	56	-	56
At 31 December 2018	7	6,637	143	10,646	17,433

Technetix Group Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2019

	Note	31 December 2019 £ 000	31 December 2018 £ 000
Cash flows from operating activities			
(Loss)/profit for the year		(2,941)	234
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	6	3,223	2,676
Depreciation on right of use assets	6	825	939
Profit on disposal of property plant and equipment	6	(7)	(4)
Financial instrument net loss/(gain)	6	1,338	(1,462)
Unrealised Foreign Exchange		(41)	(318)
Finance costs	8	748	838
Share based payment transactions	9	27	56
Income tax expense	11	68	472
Proceeds from disposal of subsidiaries		-	(340)
		3,240	3,091
Decrease in inventories	16	992	4,147
Decrease in trade and other receivables	17	3,549	761
Decrease in trade and other payables	19	(1,321)	(1,389)
Increase in provisions	21	181	39
Increase in deferred income		581	-
Cash generated from operations		7,222	6,649
Income taxes paid		(382)	(818)
Net cash flow from operating activities		6,840	5,831
Cash flows from investing activities			
Acquisitions of property plant and equipment	12	(427)	(445)
Proceeds from sale of property plant and equipment		19	24
Acquisition of intangible assets	14	(3,204)	(3,346)
Proceeds from sale of subsidiaries		-	340
Payments made on leased assets during the year		(666)	(795)
Net cash flows from investing activities		(4,278)	(4,222)
Cash flows from financing activities			
Interest paid	8	(472)	(558)
Interest expense on leases	8	(276)	(280)
Repayment of bank borrowing		(1,562)	(1,694)
Dividends paid		-	(306)
Net cash flows from financing activities		(2,310)	(2,838)
Net increase/(decrease) in cash and cash equivalents		252	(1,229)
Cash and cash equivalents at 1 January		13,123	14,385
Effect of exchange rate fluctuations on cash held		(15)	(33)
Cash and cash equivalents at 31 December		13,360	13,123

The notes on pages 26 to 55 form an integral part of these financial statements.

Technetix Group Limited

Statement of Cash Flows for the Year Ended 31 December 2019

	Note	31 December 2019 £ 000	31 December 2018 £ 000
Cash flows from operating activities			
Loss for the year		(30)	(135)
Adjustments to cash flows from non-cash items			
Proceeds from disposal of subsidiaries		-	(340)
Foreign exchange (gain)/loss		(75)	18
Share based payment transactions		27	56
Income tax expense		7	9
Finance costs		71	88
		-	(304)
Decrease in trade and other receivables	17	1,732	2,496
Decrease in trade and other payables	19	-	(59)
Net cash flow from operating activities		1,732	2,133
Cash flows from investing activities			
Proceeds from sale of subsidiaries		-	340
Cash flows from financing activities			
Interest paid		(71)	(88)
Repayment of bank borrowing		(1,562)	(1,694)
Dividends paid		-	(306)
Net cash flows used in financing activities		(1,633)	(2,088)
Net increase in cash and cash equivalents		99	385
Cash and cash equivalents at 1 January		47	(338)
Cash and cash equivalents at 31 December		146	47

1 General information

The Company is a private company limited by share capital, incorporated and domiciled in United Kingdom.

The address of its registered office is: Innovation House, Technetix Business Park, Muddleswood Road, Albourne, Hassocks, West Sussex, BN6 9EB, United Kingdom.

These financial statements were authorised for issue by the Board on 6 March 2020.

2 Accounting policies

Statement of compliance

The group financial statements have been prepared in accordance with International Financial Reporting Standards and its interpretations adopted by the EU ("adopted IFRS's").

Basis of preparation

These financial statements have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRS), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are disclosed in note 3.

A separate income statement for the Company has not been presented as permitted by s408 of the Companies Act 2006.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2019.

On acquisition of a subsidiary, the purchase method of accounting is applied. All the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses that arise after the Group has gained control of the subsidiary are charged to the post acquisition income statement. All intra-Group transactions are eliminated on consolidation.

Summary of significant accounting policies and key accounting estimates

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

Changes in accounting policy

New standards, interpretations and amendments effective

The Group early adopted IFRS 15: Revenue from Contracts with Customers and IFRS 16: Leases for the period beginning 1 January 2018.

None of the other standards, interpretations and amendments effective for the first time from 1 January 2019 have had a material effect on the financial statements.

2 Accounting policies (continued)

New standards, interpretations and amendments not yet effective
The following newly issued but not yet effective standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the Company financial statements in future:

IFRS 10 and IAS 28
Sale or contribution of assets between an investor and its associate or joint venture (effective date not set).

IFRS 17
Insurance contracts (effective 1 January 2021).

None of the other standards, interpretations and amendments which are effective for periods beginning after 1 January 2019 and which have not been adopted early, are expected to have a material effect on the financial statements.

Goodwill
Goodwill on acquisitions comprises the excess of the fair value of the consideration (plus any associated costs for investments in subsidiary undertakings) over the fair value of the net identifiable assets acquired. Adjustments are made to fair values to bring the accounting policies of acquired businesses into alignment with those of the Group. The costs of integrating and reorganising acquired businesses are charged to the post acquisition income statement.

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually. Goodwill is allocated to cash-generating units for the purpose of this impairment testing. The allocation is made to those cash-generating units, or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Business combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

Property, plant and equipment
All property, plant and equipment assets are stated at cost less accumulated depreciation. The cost includes the original purchase price and any costs to bring the asset to its working condition.

Depreciation
Depreciation of property, plant and equipment is provided to write off the cost, less residual value, over the estimated useful life at the following rates:

Asset class	**Depreciation method and rate**
Leasehold Improvements	Straight line over period of lease
Plant and Machinery	Straight line over 3 - 7 years
Fixtures and Fittings	Straight line over 3 - 7 years

2 Accounting policies (continued)

Intangible assets
Intangible assets acquired separately are stated at cost less accumulated amortisation. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised when it occurs.

Research expenditure is recognised in the income statement in the period in which it is incurred.

Development expenditure is recognised in the income statement in the period in which it is incurred unless it is probable that economic benefits will flow to the Group from the asset being developed, the cost of the asset can be reliably measured and technical feasibility can be demonstrated. Capitalisation ceases when the asset being developed is ready for use. Research and development costs include direct labour, contractors' charges, materials and directly attributable overheads.

Patents have been granted for a period of up to 20 years by the relevant government agency. Notwithstanding, the Group has lowered the estimated useful life for these patents due to the risk of obsolescence.

Intangible assets classified as customer relationships are recognised when acquired as part of a business combination and are initially measured at fair value.

Amortisation
Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Asset class	Amortisation method and rate
Development Costs	Straight line over 3 - 5 years
Patents and Trade Names	Straight line over 3 - 5 years
Customer Relationships	Straight line over 5 - 7 years
Computer Software	Straight line over 3 - 5 years

Foreign currency transactions and balances
The Group and Company financial statements are reported in GBP.

In preparing the Company financial statements, transactions in foreign currencies are recorded at the rates prevailing at the dates of the transactions. At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the statement of financial position date. Non-monetary items carried at fair-value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For presenting consolidated Financial Statements, the assets and liabilities of the Group's foreign operations are expressed in GBP using exchange rates prevailing at the statement of financial position date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly for that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified in equity and recognised in the Group's foreign currency translation reserve. Such exchange differences are recognised in the income statement in the period in which the foreign operation is disposed of.

Investments
Investments in securities are classified on initial recognition as available-for-sale and are carried at fair value, except where their fair value cannot be measured reliably, in which case they are carried at cost, less any impairment.

Unrealised holding gains and losses other than impairments are recognised in other comprehensive income. On maturity or disposal, net gains and losses previously deferred in accumulated other comprehensive income are recognised in income.

2 Accounting policies (continued)

Trade payables
Trade payables are initially stated at fair value and subsequently at their amortised cost. They are recognised on the trade date of the related transactions.

Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

When a trade receivable is not collectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

Inventories
Inventories are valued at the lower of cost and net realisable value on a first-in-first-out basis after making due allowance for obsolete and slow moving inventories. Cost comprises purchase cost of goods, costs of conversion and other costs in bringing the inventories to their present location and condition.

Cash and cash equivalents
For the purposes of the cash flow statement and the statement of financial position, cash and cash equivalents are defined as short term cash deposits (where the deposit is less than three months from inception).

Funds are held in Sterling, Euros, USD and Polish Zloty accounts to enable the Group to trade and settle its debts in the local currency in which they occur and to mitigate the Group's exposure to short-term foreign exchange fluctuations. All cash is held in floating rate accounts.

Borrowings
Interest-bearing borrowings are recognised initially at fair value less directly attributable transaction costs.

Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis.

The arrangement fees of borrowing are capitalised and subsequently amortised over the period of the borrowings.

Revenue recognition

Recognition

The Group earns revenue from the sale of proprietary mission critical network technology to major broadband, cable, fibre and telecommunications operators worldwide. This revenue is recognised at a point in time in the accounting period when control of the product has been transferred, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for fulfilling its performance obligations to customers.

Customer incentives

On certain contracts, incentives to contract price are offered. These mainly comprise of sales discount awarded to customers based on the volume of items sold. Management estimate the most likely outcome based on order levels and revenue is adjusted accordingly.

Contract assets and receivables

Where goods are transferred to the customer before the customer pays, or before payment is due, trade receivables are recognised in the statement of financial position and represent the right to consideration for products delivered.

Trade receivables are classified as current or non- current based on the Group's normal operating cycle and are assessed for impairment at each reporting date.

Contract liabilities

Contract liabilities are recognised in such instances where the Group has received consideration but still has an obligation to deliver the products. Deferred income is recognised in the statement of financial position to reflect this arrangement.

2 Accounting policies (continued)

Exceptional items
Exceptional items are items which, in the view of the Directors, are significant in size or nature to warrant separate presentation on the face of the income statement. Where an items has been identified as exceptional due to a past event, any future impact will also be disclosed as exceptional to ensure a consistency of presentation.

Tax
The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Corporation tax is provided on taxable profits at the current tax rate. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting or taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Provisions
Provisions are recognised in the statement of financial position when there is a present legal or constructive obligation because of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any Group Company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and related income tax effects and are included in equity attributable to the Company's equity holders.

Dividends
Dividend distributions to the Group's shareholders are recognised as a liability in the financial statements in the period in which the dividends are approved by the Group's shareholders.

Defined contribution pension obligation
A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

2 Accounting policies (continued)

Share based payments
The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted. Non- market vesting conditions are included in assumptions about the number of options that are expected to vest. At each Statement of Financial Position date, the entity revises its estimate of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Warrants
The parent Company (Technetix Group Limited) has a Warrant Agreement with a single customer in which they may purchase ordinary shares in Technetix Group Limited. The warrants will vest in tranches based on the level of purchases from the customer over an agreed period, whilst the total number of warrants available is capped. The estimated fair value of the warrants is recorded as a reduction to net sales in the subsidiary companies in which the sales have occurred, based on the projected number of warrants to vest when achievement of the related performance criteria is considered probable in any period. To the extent that projections change in the future as to the number of warrants that will vest, as well as changes in the fair market value of the warrants, a cumulative catch-up adjustment will be recorded in the period in which the estimates change. The fair value of the warrants is determined using the Black-Scholes option pricing model. The assumptions utilised in the Black-Scholes model include the risk-free interest rate, expected volatility, and expected life.

Leases

Initial recognition and measurement
The Group initially recognises a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term.

The lease liability is measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, purchase options at exercise price (where payment is reasonably certain), expected amount of residual value guarantees, termination option penalties (where payment is considered reasonably certain) and variable lease payments that depend on an index or rate.

The right-of-use asset is initially measured at the amount of the lease liability, adjusted for lease prepayments, lease incentives received, the Group's initial direct costs and an estimate of restoration, removal and dismantling costs.

Subsequent measurement
After the commencement date, the Group measures the lease liability by:
(a) Increasing the carrying amount to reflect interest on the lease liability;
(b) Reducing the carrying amount to reflect the lease payments made; and
(c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. Interest charges are included in finance cost in the income statement.

The related right-of-use asset is accounted for using the Cost model in IAS 16 and depreciated and charged in accordance with the depreciation requirements of IAS 16 Property, Plant and Equipment as disclosed in the accounting policy for Property, Plant and Equipment. Adjustments are made to the carrying value of the right of use asset where the lease liability is re-measured in accordance with the above.

Right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets as disclosed in the accounting policy in impairment.

Short term and low value leases
The Group has made an accounting policy election, by class of underlying asset, not to recognise lease assets and lease liabilities for leases with a lease term of 12 months or less (i.e., short-term leases).

The Group has made an accounting policy election on a lease-by-lease basis, not to recognise lease assets on leases for which the underlying asset is of low value.

Lease payments on short term and low value leases are accounted for on a straight line bases over the term of the lease or other systematic basis if considered more appropriate. Short term and low value lease payments are included in operating expenses in the income statements.

2 Accounting policies (continued)

Financial instruments

Initial recognition
Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding tangible assets, investment properties, intangible assets, deferred tax assets, prepayments, deferred tax liabilities and employee benefits plan.

The Group recognises financial assets and financial liabilities in the statement of financial position when, and only when, the Group becomes party to the contractual provisions of the financial instrument. These instruments are initially recognised at fair value.

Classification and measurement
The classification and the basis for measurement are subject to the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets, as detailed below:-

Financial assets at fair value through the profit or loss (FVTPL)
Financial assets not otherwise classified above are classified and measured as FVTPL.

Financial liabilities at amortised cost
Loans and payables, held-to-maturity investments, and non-derivative financial liabilities are measured at amortised cost using the effective interest method.

The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the instrument to the net carrying amount of the financial liability. If expected life cannot be determined reliably, then the contractual life is used.

Financial liabilities at fair value through the profit or loss
Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

Derecognition

Financial assets

The Group derecognises a financial asset when;
- the contractual rights to the cash flows from the financial asset expire,
- it transfers the right to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred; or
- the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the sum of the consideration received is recognised as a gain or loss in the profit or loss.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to the cash flows from the original financial asset are deemed to expire. In this case the original financial asset is derecognised and a new financial asset is recognised at either amortised cost or fair value.

If the cash flows are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of income.

Financial liabilities

To be treated in the same way as a modification to financial assets, based on expected cash flow changes.

2 Accounting policies (continued)

Impairment of financial assets

Measurement of Expected Credit Losses

The Group recognises loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVTPL, namely:

- Financial assets that are debt instruments
- Accounts and other receivables; and
- Loan commitments issued.

The Group has opted to apply the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the financial instruments.

To measure the ECL, trade receivables have been grouped based on the days past due. The cash risk to the Group has been assessed as being debts less than 60 days old, as this is the standard credit term provided to customers. Inter-company debts are excluded in the measurement, as they are deemed to be always recoverable. Debts more than 60 days continue to follow the Group's bad debt provision policy.

The expected loss rates are based on the payment profiles of sales over a period of 5 years and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

If material the provisions for credit-impairment are recognised in the statement of comprehensive income and are reflected in accumulated provision balances against each relevant financial instruments balance.

Derivative financial instruments

The Group holds derivative financial instruments in relation to foreign currency forward contracts.

Derivative financial instruments are recognised in the Statement of Financial Position at fair value. Fair values are derived from prevailing market prices.

Derivative financial instruments with positive fair values (unrealised gains) are included as assets and derivative financial instruments with negative fair values (unrealised losses) are included as liabilities.

Accounting estimates and assumptions

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of certain financial assets, liabilities, income and expenses.

The accounting estimates resulting from these judgements and assumptions seldom equal the actual results but are based on historical experiences and future expectations.

Provisions for impairment

In determining impairment of financial assets, judgement is required in the estimation of the amount and timing of future cash flows as well as an assessment of whether the credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

Fair value of financial assets and liabilities

Where the fair value of financial assets and liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is derived from observable markets where available, but where this is not feasible, a degree of judgement is required in determining assumptions used in the models. Changes in assumptions used in the models could affect the reported fair value of financial assets and liabilities.

3 Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies the Directors are required to make judgements that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may different 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 revision and future periods if the revision affects both current and future periods.

Critical accounting judgements
The Directors do not believe there are any critical accounting judgements relevant to these financial statements.

Key sources of estimation uncertainty
The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value amount of assets and liabilities within the next financial period are discussed below.

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The 'value in use' calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

There are several assumptions and estimates involved in calculating the present value of future cashflows from the Group's cash generating units, including:
- management's expectations of growth in future revenue;
- changes in operating margins;
- uncertainty of future technological developments;
- long-term growth rates; and
- the selection of discount rates to reflect the risks involved

The value in use has been calculated using the discounted cash flow analysis for each cost generating unit based on financial forecasts. The key assumptions applied included a 3% growth rate beyond the forecast period (2018: 3.0%) and a 7% discount rate (2018: 7%). The discount rate has considered the combined cost of capital at the required rates of the return for debt and equity holders. The discount rate used within the calculation could increase to 14% and the cashflow growth rate could decrease to 0% without causing the outcome of the calculation to change. On this basis no impairment is required. No impairment would result from any foreseeable changes in these forecasts and assumptions.

Recoverability of internally developed intangible assets
Capitalisation of development costs requires the exercise of management judgement in determining whether it is probable that the future economic benefits to the Group arising will exceed the amount capitalised. This requires management to estimate anticipated revenues and profits from the related products to which development costs relate.

Inventory provision
The provision for slow moving inventory is based on management's estimation of the commercial life and shelf life of inventory lines. In assessing this, management takes into consideration the sales history of products (including the length of time that they have been available for resale) as well as the use of products in the production process.

4 Financial risk review

Group

This note presents information about the Group's exposure to financial risks and the Group's management of capital.

Market risk

The Group's definition of market risk is the risk of losses arising from movements in market prices such as currency and interest rates. The Group manage this by the following methods:

i) Translation risk - the Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. This exposure is managed primarily through borrowings in the relevant foreign currencies.

ii) Pricing risk - the Group is exposed to commodity price movements on the key material used in the manufacture of it's products. These are not directly hedged but the exposure has been reduced by pricing clauses with some key customers.

iii) Foreign exchange risk - the Group is exposed to foreign exchange risk due to the majority of inventory being purchased in USD and the majority of sales being in GBP and Euro. This risk is managed by hedging a proportion of future USD purchases and future EUR sales. The Group has also worked with key customers to include currency adjustment clauses on pricing to give some protection from adverse currency movements.

iv) Interest rate risk - The Group actively monitors its level of secured and unsecured debt and is required to meet banking covenants on a quarterly basis and report these to its lender. The interest payable on the debt is payable at a floating rate.

Credit risk

The Group's definition of credit risk is the probable risk of loss resulting from a customer's failure to settle their invoices.

The risk is mitigated by the Group by implementing policies that require credit checks to be carried out on all potential new customers and those not under contract. Credit limits are also reassessed by the finance department and where appropriate, the board, regularly.

Overall the credit quality of customers is considered high. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the statement of financial position date.

Liquidity risk

The Group's definition of liquidity risk is the risk that it is unable to meet it's short term financial demands.

The Group manage this by preparing detailed cash flow forecasts regularly which are reviewed by management to ensure that cash flow is actively managed around the Group. The Group also prepares working capital reports to monitor cash, inventory, receivables and payables levels.

4 Financial risk review (continued)

Maturity analysis for financial liabilities

2019 Non-derivative liabilities	Carrying amount £ 000	Less than 1 year £ 000	Between 1-5 years £ 000
Bank borrowings	924	924	-
Trade and other payables	30,994	30,994	-

2018 Non-derivative liabilities	Carrying amount £ 000	Less than 1 year £ 000	Between 1-5 years £ 000
Bank borrowings	2,561	854	1,707
Trade and other payables	32,315	32,315	-

Capital risk management

Capital components
The Group regards capital as the combination of cash, debt and equity used to fund the operations of the business. The current capital structure includes issued shares, fixed term loans, asset finance contracts, bank overdrafts and cash at bank.

Capital management
The Group's objectives when managing capital are to safeguard its 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 to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group actively monitors its level of debt and interest rates it is paying and seeks to be able to limit any adverse financial impact. The Group uses limited derivative financial instruments to manage interest rate costs and as such no hedge accounting is applied. The Group does not have specific targets for gearing.

5 Revenue

The analysis of the Group's revenue for the year from continuing operations is as follows:

	31 December 2019 £ 000	31 December 2018 £ 000
Sale of goods	100,011	99,155

This revenue is recognised at a point in time in the accounting period when control of the product has been transferred.

The analysis of the Group's revenue for the year by market is as follows:

	31 December 2019 £ 000	31 December 2018 £ 000
Europe, Including UK	85,533	81,840
Rest of World	14,478	17,315
	100,011	99,155

6 Operating profit

Arrived at after charging/(crediting)

	31 December 2019 £ 000	31 December 2018 £ 000
Depreciation expense	548	546
Depreciation on right of use assets - Property	673	846
Depreciation on right of use assets - Vehicles	152	93
Amortisation expense	2,675	2,130
Research and development expensed	1,363	1,225
Fair value change on forward foreign exchange contracts	1,338	(1,462)
Profit on disposal of property, plant and equipment	(7)	(4)
Expense on low value leases	28	39
Exceptional costs		
Exceptional costs	1,810	752

Exceptional costs principally relate to legal costs in pursuing competitor IP infringement cases and employee restructuring costs. The exceptional costs reduced the tax charge for the year by £357k (2018: £153k)

7 Auditors' remuneration

	31 December 2019 £ 000	31 December 2018 £ 000
Audit of these financial statements	64	40
Audit of the subsidiaries pursuant to legislation	46	170
	110	210
Other fees to auditors		
Audit-related assurance services	-	15
All other services (including tax advisory)	-	9
	-	24

8 Finance income and costs

	31 December 2019 £ 000	31 December 2018 £ 000
Finance costs		
Interest on bank overdrafts and borrowings	124	136
Other finance costs	401	376
Foreign exchange (losses)/gains on bank borrowing and inter-Group funding	(75)	18
Amortisation of capitalised arrangement fees	22	28
Interest expense on leases - Property	266	273
Interest expense on leases - Vehicles	10	7
Total finance costs	748	838

9 Staff costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

	31 December 2019 £ 000	31 December 2018 £ 000
Wages and salaries	6,747	7,674
Social security costs	876	739
Pension costs, defined contribution scheme	314	223
Share-based payment expenses	27	56
	7,964	8,692

9 Staff costs (continued)

The average number of persons employed by the Group (including Directors) during the year, analysed by category was as follows:

	31 December 2019 No.	31 December 2018 No.
Production	17	17
Office, management and warehouse	151	156
	168	173

10 Directors' remuneration

The Directors' remuneration for the year was as follows:

	31 December 2019 £ 000	31 December 2018 £ 000
Remuneration	1,121	1,014
Contributions to pension funds	55	40
	1,176	1,054

During the year the number of Directors who were receiving benefits and share incentives was as follows:

	31 December 2019 No.	31 December 2018 No.
Contributions towards personal pension schemes	3	2

In respect of the highest paid Director:

	31 December 2019 £ 000	31 December 2018 £ 000
Remuneration	531	574
Contributions to pension funds	24	23
	555	597

The Board of Directors are considered to represent the key management of the Group.

11 Income tax

Tax charged/(credited) in the income statement

	31 December 2019 £ 000	31 December 2018 £ 000
Current taxation		
Corporation tax - current year	204	395
Corporation tax - prior year	3	(28)
	207	367
Deferred taxation		
Deferred tax - current year	(161)	222
Deferred tax - prior year	22	(117)
Total deferred taxation	(139)	105
Tax charged in the income statement	68	472

The tax charge for the year differs to the standard rate of tax in the UK. The differences are reconciled below:

	31 December 2019 £ 000	31 December 2018 £ 000
(Loss)/profit before tax	(2,873)	706
Corporation tax at standard rate of 19% (2018: 19%)	(546)	134
Increase (decrease) in current tax from adjustment for prior periods	25	(145)
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	(263)	31
Increase (decrease) from effect of unrelieved tax losses carried forward	547	475
Increase (decrease) from effect of foreign tax rates	305	(39)
Other tax effects for reconciliation between accounting profit and tax expense (income)	-	16
Total tax charge	68	472

The main UK corporation tax rate is 19.00% (2018: 19.00%). The Spring Budget on 16 March 2016 announced a further reduction in the corporation tax rate to 17% for the Financial Year beginning 1 April 2020. The was substantively enacted in Finance Act 2016 on 15 September 2016.

11 Income tax (continued)

Deferred tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same jurisdiction.

The deferred tax balances have been measured at the tax rates that are expected to apply in the period which they are realised.

Group

Deferred tax movement during the year:

	At 1 January 2019 £ 000	Recognised in income £ 000	At 31 December 2019 £ 000
Accelerated tax depreciation	92	(71)	21
Provisions	193	10	203
Deferred development costs	(920)	(97)	(1,017)
Tax losses carry-forwards	196	287	483
Net tax assets/(liabilities)	(439)	129	(310)

There are net £2,117,242 of unused tax losses (2018 - £1,982,344) for which no deferred tax asset is recognised in the statement of financial position.

Company

Deferred tax movement during the year:

	At 1 January 2019 £ 000	Recognised in income £ 000	At 31 December 2019 £ 000
Accelerated tax depreciation	42	(7)	35

12 Property, plant and equipment

Group

	Leasehold improvements £ 000	Plant and machinery £ 000	Fixtures and fittings £ 000	Total £ 000
Cost or valuation				
At 1 January 2018	404	4,895	1,013	6,312
Additions	-	437	8	445
Disposals	(6)	(232)	(46)	(284)
Transfers	-	(25)	(192)	(217)
Foreign exchange movements	-	22	12	34
At 31 December 2018	398	5,097	795	6,290
At 1 January 2019	398	5,097	795	6,290
Additions	-	412	15	427
Disposals	(272)	(978)	(32)	(1,282)
Foreign exchange movements	(2)	(96)	(27)	(125)
At 31 December 2019	124	4,435	751	5,310
Depreciation				
At 1 January 2018	348	4,064	779	5,191
Charge for year	6	494	46	546
Eliminated on disposal	(6)	(215)	(46)	(267)
Transfers	-	(63)	(153)	(216)
Foreign exchange movements	-	18	8	26
At 31 December 2018	348	4,298	634	5,280
At 1 January 2019	348	4,298	634	5,280
Charge for the year	8	475	65	548
Eliminated on disposal	(270)	(968)	(33)	(1,271)
Foreign exchange movements	(2)	(86)	(24)	(112)
At 31 December 2019	84	3,719	642	4,445
Carrying amount				
At 31 December 2019	40	716	109	865
At 31 December 2018	50	799	161	1,010
At 1 January 2018	56	831	234	1,121

12 Property, plant and equipment (continued)

Company

	Plant and machinery £ 000	Total £ 000
Cost or valuation		
At 1 January 2018	89	89
At 31 December 2018	89	89
At 1 January 2019	89	89
Disposals	(9)	(9)
At 31 December 2019	80	80
Depreciation		
At 1 January 2018	89	89
At 31 December 2018	89	89
At 1 January 2019	89	89
Eliminated on disposal	(9)	(9)
At 31 December 2019	80	80
Carrying amount		
At 31 December 2019	-	-
At 31 December 2018	-	-
At 1 January 2018	-	-

13 Right of use assets

Group

	Property £ 000	Vehicles £ 000	Total £ 000
Cost or valuation			
Additions	5,791	209	6,000
Disposals	(176)	-	(176)
Translation	120	2	122
At 31 December 2018	5,735	211	5,946
At 1 January 2019	5,735	211	5,946
Additions	259	124	383
Disposals	(3)	(24)	(27)
Translation	(149)	(12)	(161)
At 31 December 2019	5,842	299	6,141
Depreciation			
Charge for year	846	93	939
Eliminated on disposal	(176)	-	(176)
Translation	14	1	15
At 31 December 2018	684	94	778
At 1 January 2019	684	94	778
Charge for the year	673	152	825
Eliminated on disposal	(2)	(24)	(26)
Translation	(34)	(7)	(41)
At 31 December 2019	1,321	215	1,536
Carrying amount			
At 31 December 2019	4,521	84	4,605
At 31 December 2018	5,051	117	5,168

14 Intangible assets

Group

	Development costs £ 000	Patents and trade names £ 000	Customer relationships £ 000	Goodwill £ 000	Computer software £ 000	Total £ 000
Cost or valuation						
At 1 January 2018	12,505	869	69	11,586	1,971	27,000
Additions	2,845	182	-	-	319	3,346
Disposals	(6,336)	(331)	-	(610)	-	(7,277)
Foreign exchange	-	4	4	18	3	29
Transfers	-	-	-	-	(180)	(180)
At 31 December 2018	9,014	724	73	10,994	2,113	22,918
At 1 January 2019	9,014	724	73	10,994	2,113	22,918
Additions	2,834	134	-	-	236	3,204
Disposals	-	-	-	-	(105)	(105)
Foreign exchange	-	(2)	(2)	(41)	(12)	(57)
At 31 December 2019	11,848	856	71	10,953	2,232	25,960
Amortisation						
At 1 January 2018	8,477	619	22	696	1,593	11,407
Charge for year	1,712	170	10	-	238	2,130
Eliminated on disposal	(6,336)	(328)	-	(610)	-	(7,274)
Foreign exchange	-	-	2	(3)	2	1
Transfers	-	-	-	-	(180)	(180)
At 31 December 2018	3,853	461	34	83	1,653	6,084
At 1 January 2019	3,853	461	34	83	1,653	6,084
Charge for year	2,237	173	10	-	255	2,675
Eliminated on disposals	-	-	-	-	(105)	(105)
Foreign exchange	4	(3)	(1)	-	(10)	(10)
At 31 December 2019	6,094	631	43	83	1,793	8,644
Carrying amount						
At 31 December 2019	5,754	225	28	10,870	439	17,316
At 31 December 2018	5,161	263	39	10,911	460	16,834
At 1 January 2018	4,028	250	47	10,890	378	15,593

14 Intangible assets (continued)

Company

	Computer software £ 000	Total £ 000
Cost or valuation		
At 1 January 2018	753	753
At 31 December 2018	753	753
At 1 January 2019	753	753
Disposals	(104)	(104)
At 31 December 2019	649	649
Amortisation		
At 1 January 2018	753	753
At 31 December 2018	753	753
At 1 January 2019	753	753
Amortisation eliminated on disposals	(104)	(104)
At 31 December 2019	649	649
Carrying amount		
At 31 December 2019	-	-
At 31 December 2018	-	-
At 1 January 2018	-	-

15 Investments

Summary of the company investments

	31 December 2019 £ 000	31 December 2018 £ 000
Investments in subsidiaries	11,547	11,547

Group subsidiaries

Details of the Group subsidiaries as at 31 December 2019 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2019	2018
Technetix Limited*	Trading company	United Kingdom	100%	100%
Technetix Holding BV*	Holding company	Netherlands	100%	100%
Technetix BV	Trading company	Netherlands	100%	100%
Technetix Inc*	Trading company	USA	100%	100%
Technetix Spain S.L.U.*	Trading company	Spain	100%	100%
Technetix South East Europe L.L.C.*	Trading company	Kosovo	100%	100%

* indicates direct investment of the Company

Technetix Poland Sp. z.o.o.

The Group consolidated its operations in Poland into Technetix Limited in May 2018 to improve operational efficiency and better serve its customers. As a result, the Group no longer required a separate legal entity in Poland, and this Company was closed with completion in June 2019.

16 Inventories

	Group		Company	
	31 December 2019 £ 000	31 December 2018 £ 000	31 December 2019 £ 000	31 December 2018 £ 000
Work in progress	-	7	-	-
Goods for resale	10,885	11,519	-	-
Goods in transit	4,018	4,369	-	-
	14,903	15,895	-	-

The inventories provision at 31 December 2019 was £4,299k (2018: £4,014k).

17 Trade and other receivables

	Group		Company	
	31 December 2019 £ 000	31 December 2018 £ 000	31 December 2019 £ 000	31 December 2018 £ 000
Trade receivables	8,944	12,328	-	-
Provision for impairment of trade receivables	(74)	(42)	-	-
Net trade receivables	8,870	12,286	-	-
Receivables from Group undertakings	-	-	6,626	8,358
Prepayments	579	712	-	-
	9,449	12,998	6,626	8,358

18 Cash and cash equivalents

	Group		Company	
	31 December 2019 £ 000	31 December 2018 £ 000	31 December 2019 £ 000	31 December 2018 £ 000
Cash on hand	7	10	-	-
Cash at bank	13,353	13,113	146	47
	13,360	13,123	146	47

19 Trade and other payables

	Group		Company	
	31 December 2019 £ 000	31 December 2018 £ 000	31 December 2019 £ 000	31 December 2018 £ 000
Trade payables	28,959	29,659	-	-
Accrued expenses	1,561	1,884	-	-
Social security and other taxes	474	772	-	-
	30,994	32,315	-	-

The Group's exposure to market and liquidity risks, including maturity analysis, related to trade and other payables is disclosed in note 4 "Financial risk review".

20 Loans and borrowings

	Group		Company	
	31 December 2019 £ 000	31 December 2018 £ 000	31 December 2019 £ 000	31 December 2018 £ 000
Non-current loans and borrowings				
Bank borrowings	-	1,707	-	1,707

	Group		Company	
	31 December 2019 £ 000	31 December 2018 £ 000	31 December 2019 £ 000	31 December 2018 £ 000
Current loans and borrowings				
Bank borrowings	924	854	924	854

Company

Bank borrowings

HSBC Term Loan (EUR and GBP) is denominated in EUR and GBP with a nominal interest rate of 1.5% to 2.5% above LIBOR or EURIBOR , and with the final instalment due on 30 June 2020. The carrying amount at year end is £924k (2018 - £2,561k).

The Group's main UK companies have each granted security to the lender through a debenture in the form of fixed and floating charges over all of their assets and undertakings. In addition, the Group's main overseas companies have also granted charges over certain of their assets.

The loans and borrowings classified as financial instruments are disclosed in the financial instruments note.

The Group's exposure to market and liquidity risk; including maturity analysis, in respect of loans and borrowings is disclosed in the financial risk management and impairment note.

21 Other provisions

Group

	Holiday pay £ 000	Jubilee benefit £ 000	Warrants £ 000	Total £ 000
At 1 January 2019	379	16	479	874
Movement in provisions	10	(3)	179	186
Increase (decrease) due to foreign exchange differences	(8)	-	3	(5)
At 31 December 2019	381	13	661	1,055
Non-current liabilities	-	13	-	13
Current liabilities	381	-	661	1,042

Holiday Pay - the amounts represent a provision for the cost of unused holiday allowances by the Group's employees. All this provision is anticipated to be utilised in the next 12 months.

Jubilee Benefit - the amounts represent a provision for the cost of long service benefits in respect of the Group's employees. None of this provision is anticipated to be utilised in the next 12 months.

Warrants provision - the amounts represent a provision for the cost of issuing warrants.

The Company had no provisions (2018: £Nil).

22 Leases

Group

Leases included in creditors

	31 December 2019 £ 000	31 December 2018 £ 000
Current portion of long term lease liabilities	710	643
Long term lease liabilities	4,193	4,673
	4,903	5,316

Lease liabilities maturity analysis

A maturity analysis of lease liabilities based on undiscounted gross cash flow is reported in the table below:

	31 December 2019 £ 000	31 December 2018 £ 000
Less than one year	927	893
2 years	757	742
3 years	693	666
4 years	644	656
5 years	629	635
6 years	627	633
7 years	493	633
8 years	225	572
9 years	225	268
10 years	225	225
Between 10 to 15 years	94	394
Total lease liabilities (undiscounted)	5,539	6,317

Incremental borrowing rate

In the absence of an implicit rate of interest being stated in the property lease agreements, the Group is using an incremental borrowing rate (IBR) to determine the present value of the lease payments.

UK Property leases

In order to determine the IBR, the Group has assumed a benchmark rate based on a 15-year loan which shows a baseline borrowing rate of between 3.5% and 5.0%. The Group has elected to apply the rate of 5% to reflect the long nature of the lease (to 2030), and also factor in uncertainty within the UK due to Brexit.

Netherlands Property Leases

In order to determine the IBR, the Group has assumed a benchmark rate based on a 10-year loan which shows a baseline borrowing rate of 2.3% and 2.5%. The Group has elected to apply the rate of 3.5% to reflect the long nature of the lease (to 2026).

US Property Leases

In order to determine the IBR, the Group has assumed a benchmark rate based on a 10-year loan which shows a baseline borrowing rate at 5.3%. The Group has elected to apply the rate of 6.3% to reflect the long nature of the lease (to 2026).

Vehicle leases

In order to determine the IBR, the Group has assumed a benchmark rate based on a 60 month car loan which shows a baseline borrowing rate at 5.1%. The Group has elected to apply this rate.

23 Financial instruments

Group

Financial assets
Financial assets at fair value through profit or loss

Derivative held for trade

	Carrying value		Fair value	
	31 December 2019 £ 000	31 December 2018 £ 000	31 December 2019 £ 000	31 December 2018 £ 000
Derivative financial instruments	-	-	(629)	709

Valuation methods and assumptions

Derivative financial instruments:

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability if the maturity of the hedged item is less than 12 months. The fair value of forward foreign exchange contracts is classed as level 2, as the valuation is determined using quoted foreign exchange rates at the Statement of Financial Position date.

The notional principal amounts of the outstanding foreign amounts of the outstanding foreign currency forward contracts at 31 December 2019 were USD 28.7m (2018: USD 29.0m) and EUR 8.5m (2018: EUR 4.5m). Fair value changes on forward exchange hedges are included in cost of sales in the Statement of Comprehensive Income, a net loss of £1.34m was recognised (2018: a net gain of £1.46m).

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are recognised on the Balance Sheet at fair value when the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables

	Carrying value		Fair value	
	31 December 2019 £ 000	31 December 2018 £ 000	31 December 2019 £ 000	31 December 2018 £ 000
Cash and cash equivalents	13,360	13,123	-	-
Trade and other receivables	9,449	12,998	-	-
	22,809	26,121	-	-

Valuation methods and assumptions

Loans and receivables:
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Balance Sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade, other receivables and cash in the Balance Sheet.

23 Financial instruments (continued)

Financial liabilities

Financial liabilities at amortised cost

	Carrying value		Fair value	
	31 December 2019 £ 000	31 December 2018 £ 000	31 December 2019 £ 000	31 December 2018 £ 000
Trade and other payables	30,994	32,315	-	-
Borrowings	924	2,561	-	-
	31,918	34,876	-	-

Valuation methods and assumptions

Financial liabilities at amortised cost:
Loans and borrowings are classified initially at fair value through profit or loss, net of directly attributable costs. Subsequent to initial recognition they are measured at amortised cost using the EIR method. These are classified as either current or non-current based on contractual payment terms.

24 Share capital

Allotted, called up and fully paid shares

	31 December 2019		31 December 2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £0.01 each	683	6.83	683	6.83

Allotted and partially paid shares

	31 December 2019		31 December 2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary Shares of £0.01 each	38	-	38	-

Authorised share capital

	31 December 2019		31 December 2018	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £0.01 each	1,500	15	1,500	15

25 Share-based payments

Technetix Group Limited Share Option Plan

Scheme details and movements

This is a 'discretionary' Employee Benefit Trust ('EBT') option plan. The Board issues options to Directors and key employees to assist with the recruitment or retention of employees within the Group.

The number of shares, and the price payable on exercise, is fixed by the Board at the date the option is granted.

An option can be exercised immediately prior to or upon the occurrence of an Exit Event; this refers to a "sale", a "listing" or "winding-up" of the Company or, at the discretion of the Board, any other event.

In any event, options cannot be exercised on or after the tenth anniversary of their date of grant, or if the employee has left the Company.

The movements in the number of share options during the year were as follows:

	31 December 2019 Number	31 December 2018 Number
Outstanding, start of period	32,259	57,027
Granted during the period	-	550
Expired during the period	(3,300)	(25,318)
Outstanding, end of period	28,959	32,259

The movements in the weighted average exercise price of share options during the year were as follows:

	31 December 2019 pence	31 December 2018 pence
Outstanding, start of period	1,827	6,616
Granted during the period	-	2,200
Expired during the period	(500)	(6,989)
Outstanding, end of period	1,327	1,827

The weighted average share price at date of exercise of share options exercised during the year was £Nil (2018 - £Nil).

Outstanding share options

Details of share options outstanding at the end of the year are as follows:

	31 December 2019	31 December 2018
Weighted average exercise price (£)	13	18
Number of share options outstanding	45,512	32,259
Expected weighted average remaining life (years)	3	3

Fair value of options granted

The option pricing model used was Black-Scholes model and the main inputs are set out in the table below. No options were granted in 2019, the date of grant of the 2018 options was 26 March 2018.

25 Share-based payments (continued)

	31 December 2019	31 December 2018
Weighted average share price during the period (£)	-	18.30
Exercise price of option (£)	-	24.40
Share price at date of grant (£)	-	19.20
Expected volatility (%)	-	19.40
Vesting period in years	-	3.00
Option life in years	-	10.00
Expected life of option in practice in years	-	3.00
Risk-free interest rate (%)	-	0.90
Number of employees subject to option grant	-	2
Number of shares covered by option	-	550

The expected volatility of the options has been based on the volatility of similar quoted companies.

26 Warrants

During 2016, the Company entered Warrant Agreements (the "warrants") with Liberty Global Group in which they may purchase up to 43,500 Technetix ordinary shares, (subject to adjustment in accordance with the terms of the warrants, the "Shares").

The warrants will vest in tranches based on the amount of purchases of products by the Liberty Global Group from the Group over a 4-year period from July 2016 (2018: 3-year period, the vesting period was extended by 12 months during 2019). Liberty Global Group may become entitled to a total of 10 warrants, each allowing the purchase of 4,350 ordinary shares in Technetix Group Limited, over a period of 7 years from the warrant vesting date, based on achieving certain purchase levels.

Because the warrants contain performance criteria, which includes aggregate purchase levels, under which Liberty Global Group must achieve for the warrants to vest, as detailed above, the final measurement date for the warrants is the date on which the warrants vest. Prior to the final measurement, when achievement of the performance criteria has been deemed probable, the estimated fair value of warrants is being recorded as a reduction to net sales based on the projected number of warrants expected to vest, the proportion of purchases by the Liberty Global Group within the period relative to the aggregate purchase levels required for the warrants to vest and the then-current fair value of the related warrants. To the extent that projections change in the future as to the number of warrants that will vest, as well as changes in the fair market value of the warrants, a cumulative catch-up adjustment will be recorded in the period in which the estimates change.

The fair value of the warrants is determined using the Black-Scholes option pricing model. The assumptions utilised in the Black-Scholes model include the risk-free interest rate, expected volatility, and expected life in years.

The Group has recognised £179k as a reduction to net sales in connection with warrants (2018: £124k). As the options have not been exercised at the Balance Sheet date a provision for the cost has been provided.

27 Contingent liabilities

Group

Technetix Limited has given the following guarantees to its bankers in relation to; HM Revenue & Customs for £80k (2018: £80k), Magistra Buildings Company NV for €30k (2018: €30k), Dutch Customs for €248.5k (2018: €143.5k) and Irish Revenue for €300k (2018: €200k).

Debts payable by Technetix Group Limited to HSBC Bank PLC are secured against the following assets of the Company; shares in subsidiary undertakings, intellectual property, fixed assets, stock, receivables and cash at bank.

In 2018, Technetix Limited received notification from solicitors acting on behalf of Hargreaves Developments Limited, the landlord of the Company's previous offices, alleging damages in relation to the physical state of the property and loss of rent. The total claim is for £451k. The Company is firmly contesting the claim as it is both aggressive and exaggerated and has little merit. No provision has been made in these financial statements as the Company's management do not consider that there is any probable loss. There has been no change to the position during 2019.

On 13th November 2017, the Dutch Customs wrote to Technetix Limited advising they had carried out an investigation with our freight forwarder with regards to air freighted passive shipments in 2014/2015. Based on this investigation, Dutch Customers alleged that we had applied incorrect duty codes to these shipments and, as result, unpaid duties of €102k were owed. The Company submitted an appeal to this decision which is ongoing. No provision has been made in these financial statements as the Company's management do not consider that there is any probable loss. There has been no response to our appeal from Dutch Customs during 2019.

28 Non adjusting events after the financial period

Since the Statement of Financial Position date a 100% subsidiary company has been incorporated in Germany, Technetix GmbH, which is 100% owned by Technetix Group Ltd. On 26 February 2020 Technetix GmbH acquired the broadband business of ECAD GmbH for a total purchase price of upto €7m, subject to performance conditions in 2020.

The strategic benefits of this acquisition have been disclosed in the Strategic Report.