Registration number: 05303822

Technetix Group Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2021

Technetix Group Limited

Contents

Technetix Group Limited

Company Information

Directors	Mr P A Broadhurst Mr R Bell Mr D J Ariesen Mr D J McIntyre Mr J H Brougham Dr C Buechner
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 2nd Floor, St Johns House Haslett Avenue West Crawley RH10 1HS

Technetix Group Limited

Strategic Report for the Year Ended 31 December 2021

Listen - Innovate - Deliver
-Strong rebound in profitability; Increasing order momentum-
- Breakthrough solutions for broadband network evolution -

The Directors present their strategic report for the year ended 31 December 2021.

Highlights

• Highly resilient operational performance; navigating the continued effects of the COVID-19 pandemic and global supply chain disruptions, whilst supporting our customers

• Fibre to the home (FTTX) and mobile mid/back-haul (xHaul) revenue growing 7% to £14.4m (2020: £13.5m); expanding portfolio of fibre products and technical expertise in this important growth market

• Underlying revenue at £76.6m (2020: £81.6m) held back by the short-term deferment of customer network spend in first half of year and some key component shortages in second half of year

• Strong profitability rebound despite some slowness due to COVID-19 pandemic: underlying EBITDA up 69% to £7.8m (2020: £4.6m); core Broadband Technology margins up 420 points to 34.8% (2020: 30.6%)

• Increasing momentum of new orders, up 26% to £106.6m (2020: £84.4m); record forward order book on 31 December 2021 of £51.2m up 131% (2020: £22.2m)

• R&D investment up 8% to £4.3m (2020: £4.0m); building an attractive and significant pipeline of products

• Healthy liquidity position; gross cash of £16.7m (2020: £17.7m); underlying net cash[1] of £9.0m (2020: £8.4m) and underlying cash available to business[2] of £17.4m on 31 December 2021 (31 December 2020: £15.5m)

• World class technology solutions continue to be recognized by industry experts; DBT-1800 (Gamechanger) and XGT Gigabit modular outdoor multi-tap have each been awarded a 4-diamond rating in the 2021 Broadband Technology Report's Diamond Technology Reviews

• Technetix is a strong business with a powerful brand generating 84% (2020: 83%) of its revenue outside the UK. Its focus on Broadband Technology and the development of new product solutions provides an exciting platform for profitable growth

• Reported revenue £76.5m (2020: £81.4m), reported EBITDA £8.0m (2020: £4.9m) and reported PBT £2.2m (2020: loss before tax £0.8m).

Notes

[1] Gross cash of £16.7m, less government tax deferrals (£1.9m) and revolving credit facility (£5.8m)

[2] Gross cash of £16.7m, less repayment of government tax deferrals due within the next 12 months (£0.3m) plus £1m agreed available overdraft in place.

Report definitions

Underlying: revenue 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 items and is stated before financing costs. Underlying performance measures are not defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies.

Broadband Technology: consists of product solutions 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 several years through a rigorous process of sourcing, qualifying, and testing products to its customers specifications.

Review of the business

Founded in 1990, Technetix is a complete solutions provider; listening carefully to its customers' needs, pinpointing their network issues, and delivering solutions that are a perfect fit to enable the best possible results. The Group's products are deployed in networks across 70 countries around the world, earning it a reputation for excellence and reliability. That's why Technetix is a market leader when it comes to the enhancement of broadband cable network performance.

Technetix supplies technologically advanced products and solutions that enable flexible, powerful networks, increased revenue, and market share, and provide a better service experience. With cutting-edge solutions like its DBx access platform, Virtual Segmentation solution for virtual fibre, and Distributed Access Architecture, 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;
- Having a direct presence in major countries in Europe, North America and Asia Pacific with products being operationally deployed in 70 countries
- Having long standing, strategic relationships with leading cable operators worldwide
- An extensive European network with an exciting Americas presence and an emerging Asia Pacific foothold
- Powerful R&D capabilities in Europe, US and Asia underpinned with 135 granted and pending patents
- A strong liquidity position with cash available to the business on 31 December 2021 of £17.4m

Customer network spending trends started to accelerate in 2021 from their subdued level in 2020 as markets started to return to a more normalised state, particularly in the second half of the year. Total orders received in 2021 were £106.6m, a 26% increase over 2020 (£84.4m). The level of new orders also accelerated during the year, with second half orders of £62.0m compared to first half orders of £44.6m.

Whilst the COVID-19 pandemic is still impacting each country in which we operate to a varying degree, the progressive rollout of vaccines and the easing of lockdown restrictions has resulted in a gradual recovery of network upgrade and new construction spend. Industry consensus is that these spending trends will get incrementally better in the coming years as cable operators continue to invest in the next generation architecture technology in their networks. Despite a small fall in revenue year on year, the Group believes that it has maintained its market share and is firmly of the view that industry macro-trends, such as bandwidth growth and faster speeds, remain very favourable within the markets it serves and continue to offer significant and attractive long-term growth potential.

Underlying gross profits were £18.6m (2020: £16.8m), with underlying EBITDA at £7.8m (2020: £4.6m), on the back of underlying revenues of £76.6m (2020: £81.6m), which is a resilient performance considering the major countries in which the Group operates in were still subject to lockdowns and other restrictions resulting from the COVID-19 pandemic, particularly in the first half of the year.

Operationally, the Group has had to deal with significant headwinds during the year because of some key component shortages, increased costs of raw materials and freight and global supply chain disruption. These challenges have impacted every business in the industry, and the broader economy, as the world emerges from the COVID-19 pandemic and global supply chains are unable to keep pace with the rebound in economic activity. The Group is proactively managing these issues through leveraging its robust financial position and strong strategic supplier relationships to support its customers' needs. The availability of some components has restricted some product deliveries in 2021. However, this has resulted in a record forward order book as of 31 December 2021 of £51.2m, up 131% over 2020 (2020: £22.2m). This strengthening order book and the pickup of activity provides a very supportive backdrop as the business enters 2022.

The Group increased its investment in Research and Development so that it can fully capitalise on customer spending patterns in the coming years. Total spend increased 8% to £4.3m in 2021 (2020: £4.0m). The Group has an attractive new technology pipeline portfolio for release through 2022 and beyond. In the year, the Group continued to launch new world class technology products to industry acclaim including the DBT-1800 (Gamechanger) and XGT gigabit modular outdoor multi-tap, enabling broadband cable networks to have DOCSIS 4.0 readiness.

Impact of the COVID-19 pandemic

The Group has delivered a very resilient performance in 2021; a year in which the COVID-19 pandemic continued to significantly impact its markets, particularly in the first half of the year. Throughout the pandemic the business has focused its energies on maintaining its high levels of customer service, maintaining continuity of its business operations and ensuring the physical and emotional wellbeing of its employees. Employees have continued to show dedication and resilience in challenging circumstances. As lockdown restrictions eased, the Group started to welcome back employees to its offices in a controlled and 'COVID secure' manner. The return to more face-to-face interaction greatly helps the creation of new ideas, quicker problem solving and stronger team bonding. However, the Group has well established remote working arrangements which were again activated in most countries as the year ended, because of the Omicron variant.

The Group has continued its strong focus on maximising liquidity. The cash available to the business on 31 December 2021 was £17.4m (31 December 2020 £15.5m). In 2020 the Group took advantage of various government initiatives allowing the deferment of tax payments; these deferrals amounted to £3.2m. In 2021, £1.3m was repaid with the balance of £1.9m expected to be repaid, interest free, over the period 2022 to 2027. The portion of the government tax deferrals to be repaid after 12 months amounting to £1.6m has been included in the calculation as cash available to the business.

The COVID-19 pandemic has demonstrated the absolute core necessity of the cable broadband infrastructure to keeping businesses and wider society connected. With large swathes of the population having to work and be educated from home for parts of the year, this has put unprecedented bandwidth demands on the broadband transmission network. Technetix is proud to have played its part in supporting its customers and supplying the equipment over recent years that stood up to deliver on this challenge.

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

Strategy

Despite the effects of the COVID-19 pandemic, the Group has continued its laser focus on strategy implementation and flawless operational execution. The Group's core business and primary strategic focus is the design and manufacture of world class technology solutions, which it terms Broadband Technology, in partner factories in Southeast Asia to designs developed in its Research and Development centres in the United Kingdom, the Netherlands, Germany and Belgium.

Technetix is ideally positioned as a technologically naturally hedged business; to take advantage of the continued strong investment in fixed and mobile broadband. The Group is a leader in maintaining the performance of HFC (hybrid fibre coax) networks supporting evolution of networks to DAA and flex split zero guard-band extended spectrum DOCSIS (DOCSIS 4.0) pushing fibre deeper to the end customer. The Group's technology has exciting developments in FTTX infrastructure aimed specifically at remote OLTs (Optical Line Terminals) for rural fibre, greenfield infills and capacity handoff applications. This technology is also playing an increasingly important role in the exciting growth market of mobile backhauling, the convergence between mobile and cable networks, which is increasingly occurring in most markets in which the Group operates.

The Group has core expertise in RF (Radio Frequency) 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 full fibre network without additional network electrical power consumption or costly network equipment repositioning. The Group is also expanding its portfolio of fibre products and technical expertise in this market, giving its customers the broadest range of high quality, technologically advanced product solutions they need to build or upgrade their future networks.

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 recognised 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 and 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 strategic technology partner of choice.

Technetix Group Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Strategy continued

Technetix is an international business and has a direct presence in major countries in Europe, North America and Asia Pacific with products being operationally deployed in 70 countries. This extensive technological and geographical footprint provides a real strategic advantage, which the Group seeks to leverage by expanding its product and technological reach into new geographies. Europe, the Americas, Australia and Asia continue to be key focus regions for the business.

The Group is also entering into strategic partnerships with other like-minded businesses worldwide to deliver technology solutions to customers and provide flexible solutions to address the broader market. Additionally, it will better monetise services it currently offers and enhance those services, such as extended warranties and consulting on technology issues such as network design.

Aside from the Broadband Technology solutions, 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 strategic customers, whilst recognising that the margins earned on those products will be lower than the margins from Broadband Technology.

Market overview

Broadband networks are continually evolving and have transformed life in almost every way possible over the past several decades. Advanced technologies like virtual and augmented reality and artificial intelligence all rely on the robust broadband networks that cable operators continue to build and upgrade.

Cable

The industry is in the middle of a technological transformation from a centralised HFC network infrastructure housed in traditionally spaced limited, high cost headends, towards distributed technologies located in the access network that can be supported remotely by imbedded software. This distributed access architecture technology (DAA) is expected to account for an increasing percentage of spend as the decade progresses.

In 2020, CableLabs, the industry standards organisation, published 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 operators' 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 with or ahead of the most advanced FTTH (fibre to the home networks). DOCSIS 4.0 enables operators to start moving ahead with long term investment, managing a flexible migration such that older deployed technologies can coexist with new technologies. The overall aim is to increase bandwidth, both upstream and downstream, to keep pace with customers' expectations.

Cable as reported by Point Topic is forecasted to maintain around a 20% market share worldwide of fixed broadband with FTTX growth being at the expense of legacy xDSL (digital subscriber line) technology over copper networks. Cable networks are expected to be maintained in metro areas particularly where construction costs dictate upgrade of existing cable networks rather than rebuild with FTTX.

Fibre to the home

The fibre to the home market continues to grow substantially with the global market share of FTTX, as reported by Point Topic to reach 57% of all fixed broadband connections in Q2-2021. The trend is that fibre is taking market share from xDSL broadband, with cable broadband holding its market share position. FTTX build is broadening particularly into low density rural builds as well as overlay construction over existing networks.

Traffic growth

Household broadband traffic continues to grow at double digits and has increased sharply during the COVID-19 pandemic. As the world starts to recover from the pandemic, the mix of connectivity needs of households and companies will continue to evolve. In the pandemic there was a large increase in upstream demand and while this may subside to some degree as people gradually start to work less from home, it is likely that networks will need to be more symmetrical in the future, allowing equal accommodation of both upstream and downstream demand.

Market overview continued

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. Indeed by 2022, Cisco forecast that 81% of IP traffic will be non-PC based. 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 set to continue and accelerate.

Cable operators recognise the value and power of a HFC network, with investment in these HFC networks continuing in the years to come and DOCSIS 4.0 providing the route-map allowing 'speed leadership' to continue. Cable operators will typically consider overlaying the last part of their networks with fibre when there is a strong customer need for ultra-high speed and the economic fundamentals work. Many cable operators are reluctant to pursue 'pure' FTTH networks, due principally to the high cost per home passed (estimated at up to $1,000 or more). For most customers, a DOCSIS standard product will continue to be the clear market leader.

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

Business performance

The Group's strategic focus is on its Broadband Technology products, which serve the Network Access and Connected Home markets. The percentage of revenue from these products has consistently increased over the last three years and the Group expects that this trend will continue as the decade progresses.

In 2021, Broadband Technology underlying product margins percentages improved by 420 percentage points to 34.8% (2020: 30.6%) reflecting the strategic focus to expand margins through the steady release of new technology solutions. Since 2019, margins have improved by 870 points (2019: 26.1%). Underlying revenue from Broadband Technology in 2021 at £47.4m showed a small reduction on the prior year (2020: £49.1m) because of ongoing restrictions caused by the COVID-19 pandemic, the global supply chain disruption and some key component availability; market share however was maintained. Broadband Technology delivered a product margin of £16.5m (2020: £15.0m).

Supply Chain Services revenues were £29.2m in 2021 (2020: £32.5m), delivering a product margin of £4.3m (2020: £4.8m) and a product margin percentage of 14.7% (2020: 14.7%). The Group will continue to offer these products where there is a strategic logic and strong linkage with our Broadband Technology offering.

Fibre to the home and the xHaul (mobile mid/back haul) markets showed good revenue growth of 7% in the year, delivering revenues of £14.4m (2020: £13.5m)

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 opportunities in selected Asia Pacific markets. In 2021, 84% of revenue was earned outside of the UK (2020: 83%)

In 2021 the Americas business delivered a significantly improved financial performance. It focussed on progressing and executing on the multiple exciting business development opportunities in its pipeline and will continue to focus on further executing these in 2022. The business enters 2022 with a strong order book and this together with a reconfigured cost base, provides a solid foundation for further advancement and positive momentum going forward.

Financial review

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

	Note	2021 £ 000	2020 £ 000
Reported revenue	5	76,521	81,430
Reduction in revenue related to warrants	27	93	130
Underlying total revenue		76,614	81,560
Cost of sales		(57,193)	(64,745)
Fair value changes on forward foreign exchange contracts	6	(785)	(32)
Underlying gross profit		18,636	16,783
Administrative expenses		(16,094)	(16,197)
Depreciation and amortisation	6	4,748	4,454
Exceptional costs	6	482	952
Exceptional gains	6	-	(1,259)
Non-cash equity settled share-based payment expense	9	-	(129)
Underlying EBITDA		7,772	4,604
Underlying EBITDA % underlying revenue		10.1%	5.6%

Underlying gross profit was £18.6m (2020: £16.8m) and underlying EBITDA was £7.8m (2020: £4.6m). No new share options were issued in 2021.

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 most products purchased. Because of Sterling weakening in value against the US dollar in the later stages of 2021, currency hedges taken out in 2021 and which were in place on 31 December 2021 are at average rates favourable to current market rates.

As of 31 December 2021, the unrealised profit on fair value changes on forward exchange contracts was £0.2m (31 December 2020: unrealised loss of £0.6m). If Sterling remains at its current rate or weakens further, these hedges as they mature, will positively benefit profitability in the first half of 2022. However, notwithstanding 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 items

The business incurred exceptional costs of £0.5m in the year (2020: £1.0m). These costs principally relate to the resolution of the legal dispute on the former facilities occupied by the business. This matter is now closed.

Costs incurred in 2020 principally related to employee restructuring costs, business acquisition related expenses and a goodwill impairment charge.

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 2021 increased 8% to £4.3m (2020: £4.0m) as it expanded development of key product technology solutions.

In line with its industry peers and in compliance with IFRS, it continued to capitalise R&D costs where appropriate. The amount capitalised in 2021 was £3.0m (2020: £2.6m), 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 in 2021 of 90 pence per share (2020: 45 pence per share)

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

Cash
The Group continued to maintain a disciplined approach to managing cash during the year. Consistent with normal seasonal patterns, the Group's cash generation was stronger in the second half of the year. It finished the year with a reported gross cash position of £16.7m (2020: £17.7m). This included £1.9m of government tax deferrals (2020: £3.2m). The business repaid £1.2m of tax deferrals in 2021 (2020: £nil); the remaining deferrals are confirmed as being repayable, in equal instalments over the period 2022 to 2027, interest free. The Group has immediate access to this cash and has treated the long-term portion of this (due repayable after 12 months) of £1.6m as part of its calculation of cash available to the business.

The cash available to the business on 31 December 2021 was £17.4m (31 December 2020 £15.5m).

The net underlying cash position, excluding bank debt and all government tax deferrals was £9.0m (2020: £8.4m).

During the year, the Group paid £0.14m in share buybacks, £0.9m in interest and £0.3m in dividends.

Additionally, it invested £4.0m in tangible and intangible assets, £0.8m on leased assets, paid £0.4m in tax and generated £5.7m cash flow from operating activities. It also had a cash outflow from non-underlying items of £0.5m.

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.

	2021 £ 000	2020 £ 000
Reported cash generated from operations	5,684	8,905
Government tax deferrals	1,234	(3,257)
Exceptional costs	482	533
Underlying cash generated from operations	7,400	6,181
Tax paid	(402)	(74)
Cash outflows from investing activities	(4,802)	(3,989)
Underlying net cash from operations*	2,196	2,118

*Underlying net cash from operations excludes exceptional items, acquisition payments and is stated before financing.

Acquisitions
The Group did not complete on any acquisitions in 2021.

The Group over its history has successfully acquired and integrated a number of companies, with the last one being the broadband business of ECAD GmbH, Germany in 2020. The Group continues to review opportunities and will acquire where it believes strategic value can be created.

Principal risks and uncertainties

There are several 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 and availability of materials and key components.

Senior management and the Board conduct regular risk reviews to establish the likelihood and impact of risks assessed. Risk management is an integral part of its strategic and operational activities.

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) COVID-19

The COVID-19 pandemic has continued to affect most countries worldwide to varying degrees. As a result of the pandemic the Group has re-evaluated its risk profile and identified additional mitigating actions as part of its overall risk review. The risks revolve around disruption in customer network spend, product availability and distribution and staff being able to work effectively both remotely and in its facilities.

The significant increase in employees working remotely has increased the potential risk of successful cyber-attacks. The Group has an on-going and well-established communication and awareness program to educate all employees of the associated risks and security procedures that should be followed. It runs simulated 'phishing' attacks to assess employee awareness and compliance. It also has implemented a range of additional security protocols to protect both its network and all devices connecting to the network such as multi authentication.

One of the Group's highest priorities is the health and welfare of its employees. The Group has made all its facilities 'COVID secure' and implemented remote working for employees that can effectively work remotely. The Group has previously invested heavily in ensuring it has a robust, secure IT network and equipping most employees with portable laptops, allowing remote working. In what was effectively the ultimate real stress test, its systems coped perfectly with no downtime.

The Group is also mindful of the emotional wellbeing of its employees and has reach-out programmes and regular communication to ensure employees are supported and 'early warning signs' are detected and issues resolved.

ii) Brexit

The United Kingdom has now exited from the European Union as well as the single market and customs union (commonly referred to as 'Brexit'). The Group has managed this closely with no material disruption to its operations. The Group continues to keep this matter under review, monitoring for any potential future negative effects to its relationships with its existing and future customers, suppliers, and employees, along with any adverse tax and duty benefits and liabilities arising from changes to tax jurisdictions in which the Group operates.

iii) 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 its 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 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, its biggest customer, has a strategic investment in the Group, underlining the strength of the ties between the two businesses.

iv) Key suppliers and components

The Group could be disrupted by the loss of a key supplier. The Group uses several 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 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 a global pandemic or a significant deterioration in the wider geo-political environment.

The rebound in economic activity and pick-up in demand in 2021 has caused a global shortage of some key components the Group uses in certain products such as microchips, which has impacted the delivery times of these products to customers. Additionally, fluctuations in demand in the global economy has fed through into higher raw material prices, such as copper, zinc, and aluminium, which has had an impact on margins earned in products using these raw materials. Disruption to freight, leading to higher pricing and longer shipping times has also been a result of the global pick-up in demand in 2021.

Technetix has extensive experience of managing complex global supply chains in its 30-year history and has successfully managed previous disruptions, component shortages and sudden changes to product pricing. The business works with its supply and freight partners closely in creating mitigation plans to ensure it can, as far as possible, safeguard continued supply and limit any price changes. Additionally, the business actively engages with its customer base on price adjustments to reflect changes in the supply chain cost structure.

v) 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.

vi) Products

Defects in products and issues experienced by the Group's customers because 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. Customers have demanding performance requirements and increasingly want compatibility with other components in integrated systems. The Group has rigorous testing procedures in place aiming to identify any defects, compatibility issues or non-compliance with applicable customer or industry standards before products are shipped to customers. However, this testing may not identify all potential issues.

vii) 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 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 increased incidence of infringement. The Group will take a zero-tolerance approach to infringement.

Outlook

The Group has started the recovery of margins and profitability in 2021. While this recovery is pleasing, the business faces continued headwinds and is still short of its normalised margin and profitability levels. As global markets recover, and confidence builds, the Group has seen a healthy increase in new orders. The business enters 2022 with a record forward order book which helps underpin confidence in future performance.

Technetix is in great shape; it is a strong business with a powerful brand, a world class portfolio of leading technology solutions and significant growth opportunities in a market that offers exciting prospects. The Board view the future with optimism.

Approved by the Board on 4 March 2022 and signed on its behalf by:

PA Broadhurst

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Mr P A Broadhurst
Director

Technetix Group Limited

Directors' Report for the Year Ended 31 December 2021

The Directors present their report and the consolidated financial statements for the year ended 31 December 2021.

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

Mr P A Broadhurst

Mr A J Kellett (resigned 9 February 2022)

Mr D J Ariesen

Mr D J McIntyre

Mr J H Brougham

Dr C Buechner

The following director was appointed after the year end:

Mr R Bell (appointed 9 February 2022)

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 £18.6m (2020: £16.8m), Group underlying EBITDA was £7.8m (2020: £4.6m), on the back of revenues of £76.6m (2020: £81.6m).

Reported gross profit was £19.3m (2020: £16.7m), Group reported EBITDA was £8.0m (2020: £4.9m), on the back of revenues of £76.5m (2020: £81.4m).

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 £15,699 (2020: £16,023). Individual donations were:

	£
Chestnut Tree House	13,950
Crawley RFC	1,000
Other	749

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.

Technetix Group Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

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. The Group has access to a broad range of expertise within the business and as a consequence believes that it is well placed to manage its risks successfully.

The COVID-19 pandemic continued to affect economic activity globally during 2022. As a result of this, the Group undertook sensitivity testing on its forecasts by applying downside assumptions to establish a plausible but severe scenario. The downside sensitivities testing was performed on a 12 month basis to March 2023. Within the most plausible but severe downside model, assuming no revenue growth in 2022, the Group is forecast to be profitable and there is adequate headroom in all the Group's banking covenants.

Having assessed current trading; the strength of customer and supplier relationships; the current order book 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 at least 12 months from the date of signing these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Streamlined Energy and Carbon Reporting (SECR)

The Group has followed the Streamlined Energy and Carbon Reporting (SECR) guidelines. The Group has also used the GHG Reporting Protocol - Corporate Standard and have used the 2021 UK Government's Conversion Factors for Company Reporting.

Intensity measurement
The chosen intensity measurement ratio is Tonnes CO_2e per FTE, the recommended ratio for the sector.

Measures taken to improve energy efficiency
During 2020, we changed our energy supplier from one which supplied 100% brown energy, to one which supplies 100% green energy. In addition, we installed smart meters in February 2022 to improve our energy monitoring.

UK Energy and Carbon Use	**2021**	**2020**
Energy consumption used to calculate emissions (kWh)		
Energy consumption	163,773	180,025
Emissions in metric tonnes (CO_2e)		
Electricity consumption	33,056	39,053
Fuels	1,159	1,268
Business mileage	444	1,637
Total gross emissions in metric tonnes CO_2e	34,659	41,958
Intensity ratio		
Tonnes CO_2e per FTE	943	1,020

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 2021 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 4 March 2022 and signed on its behalf by:

P A Broadhurst

....
Mr P A Broadhurst
Director

Technetix Group Limited

Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK-adopted International Accounting Standards. 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 and profit or loss of the Company and Group 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 UK-adopted International Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

The Directors confirm that:

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

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 2021, 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 accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

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

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

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

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

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 16, 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)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

• The Group and Parent Company is subject to many laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. We identified the following laws and regulations as the most likely to have a material effect if non-compliance were to occur; financial reporting legislation, distributable profits legislation, tax legislation, anti-bribery legislation and employment law.

• We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

• We understood how the Group and Parent Company is complying with those legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and correspondence received from regulatory bodies.

• We assessed the susceptibility of the Group and Parent Company's financial statements to material misstatement, including how fraud might occur, by making enquires of management and those charged with governance. We utilised internal and external information to corroborate these enquiries and to perform a fraud risk assessment for the Group and Parent Company as a whole. We considered the risk of fraud to be higher through the potential for management override of controls.

• Audit procedures performed by the engagement team included:
– evaluation of the programmes and controls established to address the risks related to irregularities and fraud;
– testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions; and
– identifying and testing related party transactions

• These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

• Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
– understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
– knowledge of the industry in which the client operates
– understanding of the legal and regulatory requirements specific to the Group and Parent Company

We did not identify any matters relating to non-compliance with laws and regulation or relating to fraud.

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

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

2nd Floor, St Johns House
Haslett Avenue West
Crawley
RH10 1HS

4 March 2022

Technetix Group Limited

Consolidated Income Statement for the Year Ended 31 December 2021

	Note	31 December 2021 Before Exceptional Items £ 000	31 December 2021 Exceptional Items (Note 6) £ 000	31 December 2021 £ 000	31 December 2020 £ 000
Revenue	5	76,521	-	76,521	81,430
Cost of sales		(57,192)	-	(57,192)	(64,745)
Gross profit		19,329	-	19,329	16,685
Administrative expenses		(15,612)	(483)	(16,095)	(16,197)
Operating profit	6	3,717	(483)	3,234	488
Finance costs	8	(1,003)	(15)	(1,018)	(1,244)
Profit/(Loss) before tax		2,714	(498)	2,216	(756)
Income tax expense	11	(903)	-	(903)	(289)
Profit/(Loss) for the year		1,811	(498)	1,313	(1,045)
Profit/(Loss) attributable to:					
Owners of the Company		1,811	(498)	1,313	(1,045)

The above results were derived from continuing operations.

Technetix Group Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2021

	31 December 2021 £ 000	31 December 2020 £ 000
Profit/(loss) for the year	1,313	(1,045)
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation gain/(losses)	(1,066)	1,103
Total comprehensive income for the year	247	58
Total comprehensive income attributable to:		
Owners of the Company	247	58

The notes on pages 29 to 60 form an integral part of these financial statements.

Technetix Group Limited

(Registration number: 05303822)
Consolidated Statement of Financial Position as at 31 December 2021

	Note	31 December 2021 £ 000	31 December 2020 £ 000
Assets			
Non-current assets			
Property, plant and equipment	12	1,061	829
Right of use assets	13	3,526	4,241
Intangible assets	14	21,358	21,925
		25,945	26,995
Current assets			
Inventories	17	11,823	11,724
Trade and other receivables	18	9,377	8,658
Income tax asset		-	11
Cash and cash equivalents	19	16,725	17,720
Other current financial assets	24	189	-
		38,114	38,113
Total assets		64,059	65,108
Equity and liabilities			
Equity			
Share capital	25	(7)	(7)
Share premium		(6,637)	(6,637)
Foreign currency translation reserve		(1,442)	(2,508)
Other reserves		391	(196)
Retained earnings		(12,965)	(11,496)
Equity attributable to owners of the Company		(20,660)	(20,844)
Non-current liabilities			
Deferred tax liabilities	11	(525)	(235)
Loans and borrowings	21	(5,857)	(6,097)
Provisions	22	(17)	(15)
Long term lease liabilities	23	(3,430)	(4,041)
		(9,829)	(10,388)
Current liabilities			
Trade and other payables	20	(31,530)	(31,798)
Income tax liability		(167)	-
Deferred income		(621)	(204)
Provisions	22	(521)	(527)
Current portion of long term lease liabilities	23	(731)	(751)
Other current financial liabilities	24	-	(596)
		(33,570)	(33,876)
Total liabilities		(43,399)	(44,264)
Total equity and liabilities		(64,059)	(65,108)

Approved by the Board on 4 March 2022 and signed on its behalf by:

....
Mr P A Broadhurst PABroadhurst
Director

The notes on pages 29 to 60 form an integral part of these financial statements.

Technetix Group Limited

(Registration number: 05303822)
Statement of Financial Position as at 31 December 2021

	Note	31 December 2021 £ 000	31 December 2020 £ 000
Assets			
Non-current assets			
Investments in subsidiaries	15	11,549	11,549
Deferred tax assets	11	26	28
		11,575	11,577
Current assets			
Trade and other receivables	18	10,642	11,570
Cash and cash equivalents	19	19	75
		10,661	11,645
Total assets		22,236	23,222
Equity and liabilities			
Equity			
Share capital	25	(7)	(7)
Share premium		(6,637)	(6,637)
Other reserves		391	(196)
Retained earnings		(10,081)	(10,239)
Total equity		(16,334)	(17,079)
Non-current liabilities			
Loans and borrowings	21	(5,857)	(6,097)
Current liabilities			
Trade and other payables	20	(45)	(46)
Total liabilities		(5,902)	(6,143)
Total equity and liabilities		(22,236)	(23,222)

The (loss)/profit for the financial year of the Parent Company was £(314)k (2020: £7k)

Approved by the Board on 4 March 2022 and signed on its behalf by:

PA Broadhurst

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Mr P A Broadhurst
Director

Technetix Group Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital £ 000	Share premium £ 000	Foreign currency translation £ 000	Other reserves £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2021	7	6,637	2,508	196	11,496	20,844
Profit for the year	-	-	-	-	1,313	1,313
Other comprehensive income	-	-	(1,066)	-	-	(1,066)
Total comprehensive income	-	-	(1,066)	-	1,313	247
Dividends	-	-	-	-	(306)	(306)
Share Buyback	-	-	-	(141)	-	(141)
Reclassification of reserves	-	-	-	(462)	462	-
Share based payment transactions	-	-	-	16	-	16
At 31 December 2021	7	6,637	1,442	(391)	12,965	20,660

	Share capital £ 000	Share premium £ 000	Foreign currency translation £ 000	Other reserves £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2020	7	6,637	1,423	325	12,944	21,336
Loss for the year	-	-	-	-	(1,045)	(1,045)
Other comprehensive income	-	-	1,103	-	-	1,103
Total comprehensive income	-	-	1,103	-	(1,045)	58
Dividends	-	-	-	-	(421)	(421)
Reclassification of reserves	-	-	(18)	-	18	-
Share based payment transactions	-	-	-	(129)	-	(129)
At 31 December 2020	7	6,637	2,508	196	11,496	20,844

The 'Share Buyback' relates to the repurchase of shares by an Employee Benefit Trust as an extension to Technetix Group Limited.
Other reserves represent the share based payment reserve balance at 31 December 2021 of £212k (2020: 196k) and an Employee Benefit Trust deficit of £601k (2020: £462k reclassified).

The notes on pages 29 to 60 form an integral part of these financial statements.

Technetix Group Limited

Statement of Changes in Equity for the Year Ended 31 December 2021

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2021	7	6,637	196	10,239	17,079
Loss for the year	-	-	-	(314)	(314)
Total comprehensive income	-	-	-	(314)	(314)
Dividends	-	-	-	(306)	(306)
Share Buyback	-	-	(141)	-	(141)
Reclassification of other reserves	-	-	(462)	462	-
Share based payment transactions	-	-	16	-	16
At 31 December 2021	7	6,637	(391)	10,081	16,334

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2020	7	6,637	325	10,461	17,430
Profit for the year	-	-	-	7	7
Total comprehensive income	-	-	-	7	7
Dividends	-	-	-	(229)	(229)
Share based payment transactions	-	-	(129)	-	(129)
At 31 December 2020	7	6,637	196	10,239	17,079

The 'Share Buyback' relates to the repurchase of shares by an Employee Benefit Trust as an extension to Technetix Group Limited.
Other reserves represent the share based payment reserve balance at 31 December 2021 of £212k (2020: 196k) and an Employee Benefit Trust deficit of £601k (2020: £462k reclassified).

Technetix Group Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2021

	Note	31 December 2021 £ 000	31 December 2020 £ 000
Cash flows from operating activities			
Profit/(loss) for the year		1,313	(1,045)
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	6	3,940	3,745
Depreciation on right of use assets	6	808	709
Impairment of intangible assets	14	-	285
Financial instrument net gains (losses) through profit and loss		210	-
Loss on disposal of property plant and equipment	6	17	-
Fair value gains on contingent consideration		-	(1,146)
Financial instrument net gain	6	(785)	(32)
Unrealised Foreign Exchange		(1,066)	1,103
Finance costs	8	1,018	1,244
Income tax expense	11	903	289
Share based payment transactions		-	(129)
		6,358	5,023
(Increase)/decrease in inventories	17	(99)	3,179
(Increase)/decrease in trade and other receivables	18	(720)	791
(Decrease) in trade and other payables	20	(531)	143
Increase in provisions	22	259	146
Increase/(decrease) in deferred income		417	(377)
Cash generated from operations		5,684	8,905
Income taxes paid		(402)	(74)
Net cash flow from operating activities		5,282	8,831
Cash flows from investing activities			
Acquisitions of property plant and equipment	12	(753)	(388)
Acquisition of intangible assets	14	(3,260)	(2,862)
Purchase of assets through business combinations		-	(3,876)
Payments made on leased assets during the year		(789)	(739)
Net cash flows from investing activities		(4,802)	(7,865)
Cash flows from financing activities			
Interest paid	8	(763)	(996)
Interest expense on leases	8	(255)	(248)
Payments for purchase of own shares		(141)	-
Proceeds from bank borrowing draw downs		-	6,010
Repayment of bank borrowing		-	(948)
Dividends paid		(306)	(421)
Net cash flows from financing activities		(1,465)	3,397
Net (decrease)/increase in cash and cash equivalents		(985)	4,363
Cash and cash equivalents at 1 January		17,720	13,360
Effect of exchange rate fluctuations on cash held		(10)	(3)
Cash and cash equivalents at 31 December		16,725	17,720

The notes on pages 29 to 60 form an integral part of these financial statements.

Technetix Group Limited

Statement of Cash Flows for the Year Ended 31 December 2021

	Note	31 December 2021 £ 000	31 December 2020 £ 000
Cash flows from operating activities			
(Loss)/profit for the year		(314)	7
Adjustments to cash flows from non-cash items			
Loss on disposal of subsidiaries		-	19
Foreign exchange (gain)/loss		(240)	112
Share based payment transactions		16	(129)
Income tax expense		2	6
Finance costs		98	163
		(438)	178
Decrease/(increase) in trade and other receivables	18	928	(4,944)
(Decrease)/increase in trade and other payables	20	(1)	46
Net cash flow from operating activities		489	(4,720)
Cash flows from investing activities			
Acquisition of subsidiaries		-	(21)
Dividend income		-	192
Net cash flows from investing activities		-	171
Cash flows from financing activities			
Interest paid		(98)	(163)
Payments for purchase of own shares		(141)	-
Proceeds from bank borrowing draw downs		-	6,010
Repayment of bank borrowing		-	(948)
Dividends paid		(306)	(421)
Net cash flows used in financing activities		(545)	4,478
Net decrease in cash and cash equivalents		(56)	(71)
Cash and cash equivalents at 1 January		75	146
Cash and cash equivalents at 31 December		19	75

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 4 March 2022.

2 Accounting policies

Statement of compliance

The group financial statements have been prepared in accordance with UK-adopted International accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006.

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 2021.

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

None of the other standards, interpretations and amendments which are effective for periods beginning after 1 January 2021 and which have not been adopted early, are expected to have a material effect on the financial statements.

2 Accounting policies (continued)

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. The Group has access to a broad range of expertise within the business and as a consequence believes that it is well placed to manage its risks successfully.

The COVID-19 pandemic continued to affect economic activity globally during 2022. As a result of this, the Group undertook sensitivity testing on its forecasts by applying downside assumptions to establish a plausible but severe scenario. The downside sensitivities testing was performed on a 12 month basis to March 2023. Within the most plausible but severe downside model, assuming no revenue growth in 2022, the Group is forecast to be profitable and there is adequate headroom in all the Group's banking covenants.

Having assessed current trading; the strength of customer and supplier relationships; the current order book 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 at least 12 months from the date of signing these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual 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 IFRS 9 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 2 - 10 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
Computer Software	Straight line over 3 - 5 years
Patents and Trade Names	Straight line over 3 - 10 years
Customer Relationships	Straight line over 5 - 15 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, being when the customer receives the goods, 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.

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.

Share premium
The share premium reserve contains the premium arising on issue of the equity shares, net of issue expenses.

Foreign currency translation reserve
The foreign currency translation reserve comprises the cumulative gains and losses arising on consolidation from translating the financial statements of foreign operations that use functional currencies other than Sterling.

Retained earnings
Retained earnings represents the cumulative profit and losses net of dividends and other adjustments.

Other reserves
Other reserves comprises share transactions with the Employee Benefit Trust and share based payment charges in relaton to the equity-settled compensation plans.

2 Accounting policies (continued)

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.

Employee benefit trust
The Group has an Employee Benefit Trust ('EBT') option plan for the benefit of Directors and key employees of the Group. The EBT is consolidated into Technetix Group Limited as a sponsoring entity within other reserves of equity. The shares purchased by the EBT are recognised at cost within other reserves of Technetix Group.

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 by the customer over an agreed period, whilst the total number of warrants available is capped. The warrants are initially recognised under IFRS 15, whereby 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. The warrants are recognised as a financial liability within the balance sheet and subsequent changes to the fair market value of the warrants which have vested are recognised under IFRS 9 at each balance sheet date and are recorded within finance income or expense. 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.

2 Accounting policies (continued)

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.

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.

2 Accounting policies (continued)

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.

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.

2 Accounting policies (continued)

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.

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.

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.

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.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical accounting judgements

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.

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 cash generating unit based on financial forecasts. The key assumptions applied included a 1% growth rate beyond the forecast period (2020: 1%) and a 6% discount rate (2020: 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 11% and the cashflow growth rate could decrease to 0% at the same time 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.

The 1% growth rate applied to the Group's impairment analysis has taken into account the continuing uncertainty created by the COVID-19 pandemic globally. This rate is the plausible but severe assumption for future growth, when using this rate the Group still has ample headroom before impairment is required.

Fair value adjustments for business combinations
In accordance with IFRS 3, 'Business Combinations', the Group remeasures the assets, liabilities and contingent liabilities acquired through a business combination to fair value. Similarly, consideration including contingent consideration are also measured at fair value. Where possible, fair value adjustments are based on external appraisals or valuation models, e.g. for contingent consideration and intangible assets which were not recognised by the acquiree. All of these valuation methods rely on various management assumptions such as estimated future cash flows, royalty rate and remaining useful economic life.

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.

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.

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 its 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.

4 Financial risk review (continued)

Maturity analysis for financial liabilities

2021 Non-derivative liabilities	Carrying amount £ 000	Less than 1 year £ 000	Between 1-5 years £ 000
Bank borrowings	5,857	-	5,857
Trade and other payables	30,461	30,461	-
Warrants	1,069	1,069	-

2020 Non-derivative liabilities	Carrying amount £ 000	Less than 1 year £ 000	Between 1-5 years £ 000
Bank borrowings	6,097	-	6,097
Trade and other payables	30,983	30,983	-
Warrants	806	806	-
Contingent consideration	9	9	-

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.

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

5 Revenue

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

	31 December 2021 £ 000	31 December 2020 £ 000
Sale of goods	76,521	81,430

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 2021 £ 000	31 December 2020 £ 000
Europe, Including UK	66,442	71,980
Rest of World	10,079	9,450
	76,521	81,430

6 Operating profit

Arrived at after charging/(crediting)

	31 December 2021 £ 000	31 December 2020 £ 000
Depreciation expense	490	478
Depreciation on right of use assets - Property	713	654
Depreciation on right of use assets - Vehicles	95	55
Amortisation expense	3,451	3,267
Research and development expensed	1,354	1,358
Fair value change on forward foreign exchange contracts	(785)	(32)
Operating lease expense - Property	74	-
Operating lease expense - Vehicles	(19)	-
Loss on disposal of property, plant and equipment	17	-
Expense on low value leases	23	21
Exceptional items		
Exceptional costs	482	952
Exceptional gains	-	(1,259)

Exceptional costs principally relate to the legal costs of the dilapidations claim from the previous offices which has now been settled.

Costs incurred in 2020 principally related to employee restructuring costs and the ECAD GmbH broadband business acquisition related expenses and a goodwill impairment charge. Last year the business also had an exceptional gain of £1.3m in relation to fair value measurement on the ECAD acquisition.

The exceptional items reduced the tax charge for the year by £92k (2020: £107k).

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

7 Auditors' remuneration

	31 December 2021 £ 000	31 December 2020 £ 000
Audit of these financial statements	67	71
Audit of the subsidiaries pursuant to legislation	83	47
	150	118

The United Kingdom has now exited from the European Union (commonly referred to as 'Brexit'). As a result of this change, the Dutch subsidiary entity, Technetix BV, can no longer claim exemption from an annual audit under section 403(1b) book 2 of the Netherlands Civil Code. The costs associated with this additional audit are reflected above.

8 Finance income and costs

	31 December 2021 £ 000	31 December 2020 £ 000
Finance costs		
Interest on bank overdrafts and borrowings	251	209
Other finance costs	579	644
Foreign exchange (losses)/gains on bank borrowing	(112)	117
Amortisation of capitalised arrangement fees	45	26
Interest expense on leases - Property	244	238
Interest expense on leases - Vehicles	11	10
Total finance costs	1,018	1,244

9 Staff costs

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

	31 December 2021 £ 000	31 December 2020 £ 000
Wages and salaries	5,705	6,751
Social security costs	832	865
Pension costs, defined contribution scheme	273	189
Share-based payment expenses	-	(129)
	6,810	7,676

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 2021 No.	31 December 2020 No.
Production	13	13
Office, management and warehouse	140	142
	153	155

10 Directors' remuneration

The Directors' remuneration for the year was as follows:

	31 December 2021 £ 000	31 December 2020 £ 000
Remuneration	1,458	1,122
Contributions to pension funds	44	41
	1,502	1,163

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

	31 December 2021 No.	31 December 2020 No.
Contributions towards personal pension schemes	3	3

In respect of the highest paid Director:

	31 December 2021 £ 000	31 December 2020 £ 000
Remuneration	719	524
Contributions to pension funds	24	22
	743	546

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

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

11 Income tax

Tax charged/(credited) in the income statement

	31 December 2021 £ 000	31 December 2020 £ 000
Current taxation		
Corporation tax - current year	536	355
Corporation tax - prior year	89	(2)
	625	353
Deferred taxation		
Deferred tax - current year	246	(59)
Deferred tax - prior year	32	(5)
Total deferred taxation	278	(64)
Tax charged in the income statement	903	289

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

	31 December 2021 £ 000	31 December 2020 £ 000
Profit/(loss) before tax	2,216	(756)
Corporation tax at standard rate of 19% (2019: 19%)	421	(144)
Increase (decrease) in current tax from adjustment for prior periods	120	(7)
Increase (decrease) from effect of expenses not deductible in determining taxable profit (tax loss)	(74)	(389)
Increase (decrease) from effect of unrelieved tax losses carried forward	555	623
Increase (decrease) from effect of foreign tax rates	(128)	195
Increase (decrease) from effect of adjustment in research development tax credit	9	11
Total tax charge	903	289

The main UK corporation tax rate is 19% (2020: 19%).The UK corporation tax rate will increase from 19% to 25% on profits over £250,000 with effect from 1st April 2023. A 'small profits' corporation tax rate of 19% will be applied on profits under £50,000 per annum and a 'marginal profits' corporation tax rate will be applied on profits between £50,000 and £250,000 per annum.

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 2021 £ 000	Recognised in income £ 000	At 31 December 2021 £ 000
Accelerated tax depreciation	22	(42)	(20)
Provisions	213	2	215
Deferred development costs	(1,017)	(164)	(1,181)
Tax losses carry-forwards	547	(86)	461
Net tax assets/(liabilities)	(235)	(290)	(525)

There are net £3,685,906 of unused tax losses (2020: £2,177,665) for which no deferred tax asset is recognised in the statement of financial position.

Company

Deferred tax movement during the year:

	At 1 January 2021 £ 000	Recognised in income £ 000	At 31 December 2021 £ 000
Accelerated tax depreciation	28	(2)	26

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

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 2020	124	4,435	751	5,310
Additions	7	381	-	388
Acquired through business combinations	-	42	-	42
Disposals	-	(6)	-	(6)
Foreign exchange movements	2	95	18	115
At 31 December 2020	133	4,947	769	5,849
At 1 January 2021	133	4,947	769	5,849
Additions	36	693	24	753
Disposals	-	(1,541)	-	(1,541)
Foreign exchange movements	(4)	(116)	(20)	(140)
At 31 December 2021	165	3,983	773	4,921
Depreciation				
At 1 January 2020	84	3,719	642	4,445
Charge for year	9	424	45	478
Eliminated on disposal	-	(6)	-	(6)
Foreign exchange movements	2	85	16	103
At 31 December 2020	95	4,222	703	5,020
At 1 January 2021	95	4,222	703	5,020
Charge for the year	15	451	23	489
Eliminated on disposal	-	(1,528)	-	(1,528)
Foreign exchange movements	(2)	(100)	(19)	(121)
At 31 December 2021	108	3,045	707	3,860
Carrying amount				
At 31 December 2021	57	938	66	1,061
At 31 December 2020	38	725	66	829
At 1 January 2020	40	716	109	865

13 Right of use assets

Group

	Property £ 000	Vehicles £ 000	Total £ 000
Cost or valuation			
At 1 January 2020	5,842	299	6,141
Additions	373	213	586
Disposals	-	(150)	(150)
Impairment	(313)	-	(313)
Foreign exchange movements	99	13	112
At 31 December 2020	6,001	375	6,376
At 1 January 2021	6,001	375	6,376
Additions	185	73	258
Disposals	(26)	(88)	(114)
Foreign exchange movements	(150)	(24)	(174)
At 31 December 2021	6,010	336	6,346
Depreciation			
At 1 January 2020	1,321	215	1,536
Charge for year	654	55	709
Eliminated on disposal	-	(144)	(144)
Foreign exchange movements	23	11	34
At 31 December 2020	1,998	137	2,135
At 1 January 2021	1,998	137	2,135
Charge for the year	713	95	808
Eliminated on disposal	-	(69)	(69)
Foreign exchange movements	(64)	10	(54)
At 31 December 2021	2,647	173	2,820
Carrying amount			
At 31 December 2021	3,363	163	3,526
At 31 December 2020	4,003	238	4,241

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

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 2020	11,848	856	71	10,953	2,232	25,960
Additions	2,590	81	-	-	191	2,862
Acquired through business combinations	-	1,108	3,192	688	-	4,988
Disposals	(3,459)	(98)	-	(368)	-	(3,925)
Foreign exchange	-	57	169	72	20	318
At 31 December 2020	10,979	2,004	3,432	11,345	2,443	30,203
At 1 January 2021	10,979	2,004	3,432	11,345	2,443	30,203
Additions	3,020	93	-	-	147	3,260
Disposals	(711)	(79)	-	-	(101)	(891)
Foreign exchange	-	(74)	(219)	(90)	(37)	(420)
At 31 December 2021	13,288	1,944	3,213	11,255	2,452	32,152
Amortisation						
At 1 January 2020	6,094	631	43	83	1,793	8,644
Charge for year	2,519	297	197	-	254	3,267
Eliminated on disposal	(3,459)	(98)	-	(368)	-	(3,925)
Impairment	-	-	-	285	-	285
Foreign exchange	-	(3)	(2)	-	12	7
At 31 December 2020	5,154	827	238	-	2,059	8,278
At 1 January 2021	5,154	827	238	-	2,059	8,278
Charge for year	2,762	288	223	-	178	3,451
Eliminated on disposals	(711)	(76)	-	-	(101)	(888)
Foreign exchange	-	(11)	(15)	-	(21)	(47)
At 31 December 2021	7,205	1,028	446	-	2,115	10,794
Carrying amount						
At 31 December 2021	6,083	916	2,767	11,255	337	21,358
At 31 December 2020	5,825	1,177	3,194	11,345	384	21,925
At 1 January 2020	5,754	225	28	10,870	439	17,316

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

15 Investments

Summary of the company investments

	31 December 2021 £ 000	31 December 2020 £ 000
Investments in subsidiaries	11,549	11,549

Group subsidiaries

Details of the Group subsidiaries as at 31 December 2021 are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Proportion of ownership interest and voting rights held 2021	2020
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%
Technetix GmbH*	Trading company	Germany	100%	100%
Technetix Pty Ltd*	Trading company	Australia	100%	100%

* indicates direct investment of the Company

Registered office address

Technetix Limited: Innovation House, Technetix Business Park, Albourne, West Sussex, BN6 9EB, England
Technetix Holding BV: Kazemat 5, 3905 NR Veenendaal, the Netherlands
Technetix BV: Kazemat 5, 3905 NR Veenendaal, the Netherlands
Technetix Inc: 8490 Upland Drive, Suite 200, Englewood CO 80112, U.S.A.
Technetix Spain S.L.U.: Calle Terracina 11, Plataforma Logistica Plaza, 50197 Zaragoza, Spain
Technetix South East Europe L.L.C.: Zona Industriale, Ali Hadri p/n 10000, Prishtinë, Kosovo
Technetix GmbH: Technetix GmbH, Bogenstraße 34, 22926, Ahrensburg , Schleswig-Holstein, Germany
Technetix Pty Ltd: Level 21, 459 Collins Street, Melbourne, Victoria 3000, Australia

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

16 Business combinations

The Group did not complete on any acquisitions in 2021.

The Group over its history has successfully acquired and integrated several companies, with the last one being the broadband business of ECAD GmbH, Germany in 2020. The Group continues to review opportunities and will acquire where it believes strategic value can be created

17 Inventories

	Group		Company	
	31 December 2021 £ 000	31 December 2020 £ 000	31 December 2021 £ 000	31 December 2020 £ 000
Goods for resale	7,506	7,305	-	-
Goods in transit	4,317	4,419	-	-
	11,823	11,724	-	-

The inventories provision at 31 December 2021 was £3,340k (2020: £4,810k).

18 Trade and other receivables

	Group		Company	
	31 December 2021 £ 000	31 December 2020 £ 000	31 December 2021 £ 000	31 December 2020 £ 000
Trade receivables	9,097	8,057	-	-
Provision for impairment of trade receivables	(24)	(50)	-	-
Net trade receivables	9,073	8,007	-	-
Receivables from Group undertakings	-	-	10,642	11,570
Prepayments	304	651	-	-
	9,377	8,658	10,642	11,570

19 Cash and cash equivalents

	Group		Company	
	31 December 2021 £ 000	31 December 2020 £ 000	31 December 2021 £ 000	31 December 2020 £ 000
Cash on hand	7	9	-	-
Cash at bank	16,718	17,711	19	75
	16,725	17,720	19	75

20 Trade and other payables

	Group		Company	
	31 December 2021 £ 000	31 December 2020 £ 000	31 December 2021 £ 000	31 December 2020 £ 000
Trade payables	26,932	26,356	-	-
Accrued expenses	973	963	45	46
Social security and other taxes	2,556	3,664	-	-
Contingent Consideration	-	9	-	-
Warrants	1,069	806	-	-
	31,530	31,798	45	46

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'.

21 Loans and borrowings

	Group		Company	
	31 December 2021 £ 000	31 December 2020 £ 000	31 December 2021 £ 000	31 December 2020 £ 000
Non-current loans and borrowings				
Bank borrowings	5,857	6,097	5,857	6,097

Company

The HSBC Revolving Credit Facility (EUR and GBP) is denominated in GBP (2020: drawn down in EUR and GBP) with a nominal interest rate of 2.9% above LIBOR and is due for repayment in April 2025. The carrying amount at year end is £5,857k (2020: £6,097).

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.

22 Other provisions

Group

	Holiday pay £ 000	Jubilee benefit £ 000	Total £ 000
At 1 January 2021	527	15	542
Movement in provisions	17	3	20
Increase (decrease) due to foreign exchange differences	(23)	(1)	(24)
At 31 December 2021	521	17	538
Non-current liabilities	-	17	17
Current liabilities	521	-	521

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.

The Company had no provisions (2020: £Nil).

23 Leases

Group

Leases included in creditors

	31 December 2021 £ 000	31 December 2020 £ 000
Current portion of long term lease liabilities	731	751
Long term lease liabilities	3,430	4,041
	4,161	4,792

23 Leases (continued)

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

	31 December 2021 £ 000	31 December 2020 £ 000
Less than one year	938	995
2 years	860	907
3 years	717	834
4 years	688	710
5 years	661	679
6 years	265	651
7 years	265	240
8 years	265	240
9 years	110	240
10 years	-	100
Total lease liabilities (undiscounted)	4,769	5,596

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 4.8% and 5.3%. The Group has elected to apply the rate of 5% to reflect the long nature of the lease (to 2030), and also to factor in uncertainty within the UK due to 'Brexit' and the COVID-19 pandemic.

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), and also factor in uncertainty within the Netherlands due to the COVID-19 pandemic.

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 2.7%. The Group has elected to apply the rate of 6.7% to reflect the long nature of the lease (to 2026), and also factor in uncertainty within the USA due to the COVID-19 pandemic.

Vehicle leases
In order to determine the IBR, the Group has assumed a benchmark rate based on the borrowing rate of comparable loans in the relevant country ranging from 3.5% to 9.0%.

24 Financial instruments

Group

Financial assets
Financial assets at fair value through profit or loss

Derivative held for trade

Non derivative designated on initial recognition

	Amortised cost		Fair value	
	31 December 2021 £ 000	31 December 2020 £ 000	31 December 2021 £ 000	31 December 2020 £ 000
Derivative financial instruments	-	-	189	-

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 2021 were USD 21m (2020: USD 18m) and EUR 14m (2020: EUR 5m). Fair value changes on forward exchange hedges are included in cost of sales in the Statement of Comprehensive Income, a net gain of £0.79m was recognised (2020: £0.03m).

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

	Amortised cost		Fair value	
	31 December 2021 £ 000	31 December 2020 £ 000	31 December 2021 £ 000	31 December 2020 £ 000
Cash and cash equivalents	16,725	17,720	-	-
Trade and other receivables	9,377	8,658	-	-
	26,102	26,378	-	-

24 Financial instruments (continued)

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 Statement of Financial Position date, these are classified as non-current assets. The Group's loans and receivables comprise trade, other receivables and cash in the Statement of Financial Position.

Financial liabilities

Non derivative financial liabilities at fair value through profit and loss designated on initial recognition

	Amortised cost		Fair value	
	31 December 2021 £ 000	31 December 2020 £ 000	31 December 2021 £ 000	31 December 2020 £ 000
Contingent consideration	-	-	-	9
Warrants	-	-	1,069	806
Derivative financial instruments	-	-	-	596
	-	-	1,069	1,411

Valuation methods and assumptions

Contingent consideration:
Contingent consideration is classified as a liability and is measured at fair value on the acquisition date. Contingent consideration that is classified as a liability is remeasured to fair value at each reporting date, with changes included in the income statement in the post-combination period. These are classified as either current or non-current based on contractual payment terms.

Warrants:
Warrants are classified as a liability and, because they contain performance criteria, are measured at fair value on the date when achievement of the criteria has been met. Changes in the fair market value of the financial liability relating to the warrants at each balance sheet date are recorded within finance income or expense.

Derivative financial instruments:
Please refer to comment on derivative financial instruments as disclosed under non-derivative financial assets as fair value through profit and loss designated at initial recognition.

Financial liabilities at amortised cost

	Amortised cost		Fair value	
	31 December 2021 £ 000	31 December 2020 £ 000	31 December 2021 £ 000	31 December 2020 £ 000
Trade and other payables	30,461	30,983	-	-
Borrowings	5,857	6,097	-	-
	36,318	37,081	-	-

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.

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2021 (continued)

25 Share capital

Allotted, called up and fully paid shares

	31 December 2021 No. 000	31 December 2021 £ 000	31 December 2020 No. 000	31 December 2020 £ 000
Ordinary shares of £0.01 each	683	6.83	683	6.83

Allotted and partially paid shares

	31 December 2021 No. 000	31 December 2021 £ 000	31 December 2020 No. 000	31 December 2020 £ 000
Ordinary Shares of £0.01 each	38	-	38	-

Authorised share capital

	31 December 2021 No. 000	31 December 2021 £ 000	31 December 2020 No. 000	31 December 2020 £ 000
Ordinary shares of £0.01 each	1,500	15	1,500	15

26 Share-based payments

Technetix Group Limited EBT 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 Group.

Technetix Group has entered a loan agreement with its Employee Benefit Trust trustee ("EBT") to enable the EBT to buy shares in Technetix. Technetix may then grant share options over the shares held by the EBT as part of employee incentive schemes.

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

26 Share-based payments (continued)

	31 December 2021 Number	31 December 2020 Number
Outstanding, start of period	35,134	28,959
Granted during the period	-	9,845
Expired during the period	-	(3,670)
Outstanding, end of period	35,134	35,134

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

	31 December 2021 pence	31 December 2020 pence
Outstanding, start of period	1,428	1,327
Granted during the period	-	218
Expired during the period	-	(117)
Outstanding, end of period	1,428	1,428

Outstanding share options

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

	31 December 2021	31 December 2020
Weighted average exercise price (£)	14	14
Number of share options outstanding	35,134	35,134
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. There were no grants in the year (2020 - 9,845 options granted on 22 June 2020)

	31 December 2021	31 December 2020
Weighted average share price during the period (£)	-	14
Exercise price of option (£)	-	20
Share price at date of grant (£)	-	106
Expected volatility (%)	-	31
Vesting period in years	-	3
Option life in years	-	10
Expected life of option in practice in years	-	3
Risk-free interest rate (%)	-	(12)
Number of employees subject to option grant	-	9
Number of shares covered by option	-	9,845

Charge/credit arising from share-based payments

The total charge/(credit) for the year for equity-settled share-based payments was £16k (2020 - £(1)k), of which £16k (2020 - £Nil) related to fair value changes.

26 Share-based payments (continued)

Technetix Group Limited EMI Share Option Plan

Scheme details and movements

This is a 'discretionary' Enterprise Management Incentive ('EMI') option plan. In 2010, 2012 and 2014 the Board issued options to Directors and key employees to assist with the recruitment or retention of employees within the Group, this scheme has since been closed to new issuances.

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.

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

	31 December 2021 Number	31 December 2020 Number
Outstanding, start of period	12,401	17,213
Expired during the period	-	(4,812)
Outstanding, end of period	12,401	12,401

26 Share-based payments (continued)

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

	31 December 2021 pence	31 December 2020 pence
Outstanding, start of period	371	498
Expired during the period	-	(127)
Outstanding, end of period	371	371

Outstanding share options

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

	31 December 2021	31 December 2020
Weighted average exercise price (£)	4	4
Number of share options outstanding	12,401	12,401
Expected weighted average remaining life (years)	3	3

Charge/credit arising from share-based payments

The total charge/(credit) for the year for share-based payments was £Nilk (2020 - £(127)k), of which £Nilk (2020 - £(127)k) related to equity-settled share-based payment transactions.

27 Warrants

In July 2016 the Group entered a Warrant Agreement ('warrants') with the Liberty Global Group ("Liberty Global"), under which Liberty Global may earn the right to exercise up to 10 warrants each allowing the purchase of 4,350 ordinary shares at an exercise price of £106 per share in Technetix Group Limited (totalling 43,500 shares).

The warrants are earned by Liberty Global achieving certain purchase levels with the Group within 5 years of the Warrant Agreement effective date (initially 3 years and extended in 2019 and 2020 each for a further 12 month period) and are exercisable within 7 years of each warrant grant date. The final measurement date for each warrant is the date on which that warrant vests. Prior to the final measurement, when achievement of the performance criteria has been deemed probable, the estimated fair value of the warrants are initially recorded as a reduction to net sales based on the projected number of warrants expected to vest, the proportion of purchases by Liberty Global 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. Changes in the fair market value of the financial liability relating to the warrants at each balance sheet date are recorded within finance income or expense.

During the year Liberty Global earned the maximum number of warrants. At present no exercise of the right to purchase 43,500 shares has been made.

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 £93k as a reduction to net sales in connection with warrants (2020: £130k).

28 Contingent liabilities

Group

Technetix Limited has given the following guarantees to its bankers in relation to; HM Revenue & Customs for £80k (2020: £80k), Dutch Customs for €143.5k (2020: €143.5k) and Irish Revenue for €100k (2020: €100k).

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.

29 Ultimate controlling party

The ultimate controlling party is Mr P A Broadhurst.