

Registration number: 05303822

Technetix Group Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2022



Technetix Group Limited

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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 2022

-Breakthrough solutions for broadband network evolution- - Making the impossible possible -

The Directors present their strategic report for the year ended 31 December 2022.

Highlights

- Underlying revenue up 21% to £92.8m (2021: £76.6m)
- Underlying gross margin up 23% to £22.8m (2021: £18.6m)
- Fibre to the home (FTTX) and mobile mid-haul/back-haul (xHaul) revenue up 20% to £17.4m (2021: £14.4m) reflecting expanding portfolio of products in this growth market
- Acquisition of Lindsay Broadband Inc, consolidates the Groups' Americas presence and adds wireless broadband gateways and network power to our portfolio
- Americas revenue up 140% at £17.1m (2021: £7.1m) reflecting the Group's commitment to growth outside of Europe
- Underlying EBITDA resilient at £6.8m (2021: £7.8m) in the face of inflationary challenges and exchange rate volatility
- Reported revenue £92.8m (2021: £76.5m), gross margin £22.0m (2021: £19.3m), EBITDA £4.8m (2021: £8.0m) and loss before tax £1.6m (2021: profit before tax £2.2m)

Operational

- Successful continuing extensive deployment of the DBx Smart Broadband Access DOCSIS 3.1 platform; continuing to give customers shorter installation times, lower power consumption and a future path to upgrades
- Industry recognition of the DNN 10G system giving networks more efficient flex-split/zero-guard-band technology. DNN was awarded 4.5 diamond rating and Direction Neutral Zero Loss Splitter was awarded 4.0 diamond rating in the 2022 Broadband Technology Report's Technology Review.
- Deployment also commenced of the Technetix One-Touch™ Amplifiers; giving operators 30% more throughput, a 35% saving in electrical power consumption and a reduction in opex costs by 35%
- Accreditation to the ISO 27001 standard for information security management systems along with our ISO 14001 environmental management system and ISO 9001 quality assurance

Underlying Definition:

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.

Technetix Group Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Business Overview

Technetix offers an extensive range of HFC (hybrid fibre coax), wireless and fibre infrastructure technologies to allow its telecommunications customers to optimise their existing core assets and reduce total cost of ownership.

Headquartered in the UK, with an extensive network in Europe, Americas, Africa and Asia Pacific, the Group sells over 114 million products annually to over 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 worldwide.

The Group has a total of 146 patents in place over its technologies (2021: 135) and, during the year, received industry recognition for the 1.8 GHz Direction Neutral Network and 1.8 GHz Direction Neutral Zero Loss Splitter technologies in the 2022 Broadband Technology Report's Diamond Technology Reviews. Technetix also successfully completed a field trial of the "One-Touch™ Network" with its long-term customer and partner, Liberty Global.

Strategy

The Group's mission is to focus on developing and delivering integrated solutions which maximise the performance of broadband networks while decreasing total cost of ownership for our customers over the long term.

Technetix is a market leader in HFC (hybrid fibre coax) cable networks. With 70% to 90% of the assets of a cable broadband operator currently invested in coax, the Group is developing its technology roadmap to extend the lifetime of current infrastructures beyond DOCSIS 3.1. With the release of the Direction Neutral Amplifier (DNA 1800), Technetix is poised to support its customers to deliver 10 Gbps 1.8 GHz networks over existing coax; the foundation stone of Distributed Gain Architecture.

Whilst the Group will continue to invest to maintain its position within HFC, a key strategic focus is to grow its expertise and reputation within the fibre and wireless spaces. The Group has developed a strong range of products to support this market, such as our rOLT (remote optical line terminal) developed specifically for rural fibre, greenfield infills and capacity handoff applications.

There is also the exciting growth market of mobile backhaul which is the convergence between mobile and fixed broadband networks. Technetix had a major breakthrough into this market with Virtual Segmentation and has since released a mobile backhaul ready company the Compact Carrier Ethernet Switch.

Through being able to offer its customers a greater range of products and being able to appeal to new customers in new markets, the Group will be able to future proof its revenue streams as broadband operators look to optimise their investment. This offering has been further enhanced through the acquisition of Lindsay Broadband Inc. and a new dynamic range of complementary products. Furthermore, Lindsay strengthens the Technetix' range of HFC and fibre products and new areas of mobile and Wifi gateway systems and network electrical primary and backup power systems. These products are already being sold into network operators in United States, Canada and Latin America).

In addition to its product portfolio, Technetix is actively exploring its services offering; customers are increasingly looking for supply of a complete package with everything from network design, consulting, extended warranty and SLA's. With many of these services having been provided free of charge by Technetix in the past, this provides an opportunity to expand our offering, enabling us to monetize premium support, training and services.

Technetix Group Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Market overview

Broadband networks are evolving rapidly to meet the demand of consumers who want to be able to work, game, download and stream across multiple devices when it suits them and, most importantly, at the latency, volume and speed they expect.

To cope with this demand, operators are investing heavily in their networks to ensure that they can not only meet the demands of today, but be prepared for the demands of the future. It remains an exciting industry to operate within, with significant opportunities.

• HFC (hybrid fibre coax)

HFC continues to maintain its market share; its agility and adaptability means many operators are investing in upgrading their existing HFC networks rather than performing expensive fibre overbuilds. Installation of 1.8 GHz taps and passives have already started for a number of operators in advance of switching to DOCSIS 4.0, for which field trials are expected to start in 2023. Although it is not full fibre, DOCSIS 4.0 holds significant financial and efficiency advantages whilst still providing customers with the same level of bandwidth.

HFC is continuing to move away from a centralised network infrastructure in traditionally space-limited, high cost headends, towards distributed access technologies that can be supported remotely by imbedded software. The Broadband Technology Report estimates that the release of the “smart amp” will reduce the needed inventory on service trucks by as many as 50 devices; providing significant cost saving opportunities for operators.

• Fibre

The COVID-19 pandemic resulted in increased focus on broadband capabilities, particularly in residential areas. Many operators have pulled forward their fibre to the home expansion plans in order to meet the demands of subscribers, meaning revenues in this area were up 19% on 2021 as reported by research consultants Dell’Oro, with the highest level of growth being seen in Western Europe.

In greenfield sites and other rural developments, fibre deployment is increasingly being selected over traditional HFC in order to support the maximum speeds, high reliability, low latency levels, and lower cost base that an all-fibre network can deliver.

In residential areas overbuilding with fibre is expensive and so many operators have opted to follow DOCSIS 4.0 Distributed Access Architecture (DAA) to extend their network capabilities to equivalent performance. There are however exceptions; Altice (USA) and Virgin Media (UK) are investing significant money in overbuilding and deploying full fibre to get ahead of competition.

• Wireless

Dell’Oro reported a 7% year-on-year increase of wireless sales during 2022. The roll out of 5G devices make up over a quarter of total sales as subscribers demand improved wireless speeds and lower latency. Increasingly people want technology on the move; using portable devices with more frequency as part of their day to day lives.

Technetix Group Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Business performance

		2022 £ 000	2021 £ 000
Reported revenue	5	92,829	76,521
Reduction in revenue related to warrants	27	-	93
Underlying total revenue		92,829	76,614
Cost of sales		(70,878)	(57,193)
Exceptional cost of sales		198	-
Fair value changes on forward foreign exchange contracts	6	687	(785)
Underlying gross profit		22,836	18,636
Administrative expenses		(22,100)	(16,094)
Depreciation and amortisation	6	4,954	4,748
Exceptional costs	6	1,095	482
Non-cash equity settled share-based payment expense	26	9	-
Underlying EBITDA		6,794	7,772
Underlying EBITDA % underlying revenue		7.3%	10.1%

During the year the Group achieved underlying revenue of £92.8m (2021: £76.6m), gross profit of £22.8m (2021: £18.6m) and EBITDA of £6.8m (2021: £7.8m).

• Revenue

The business was able to capitalise on the bounce back of customer spend in the year, seeing an increase in revenue of 21%. This was the result of increased sales volumes of run rate products into Europe and the conversion of opportunity pipeline in the Americas region. The Group also benefitted in the final four months from post-acquisition sales of Lindsay Broadband Inc. Americas revenue increased 140% on prior year at £17.1m (2021: £7.1m) reflecting the Group's commitment to growth outside of Europe.

In the prior year, the business recognised a reduction in revenue relating to the issuance of warrants to the Liberty Global Group (2021: £93k). No warrants were issued during the year.

• Gross Profit

During the year the business faced increased costs; principally as a result of the weakening of the Sterling against the US Dollar (being the benchmark currency for most products purchased) causing product margins to be squeezed. The Group sought to reduce its exposure by hedging some of its US Dollar requirements using simple forward contracts; this helped to mitigate ~80% of the realised downside impact to the Group.

However, because the Sterling strengthened against the US Dollar in the final months of 2022, currency hedges in place on 31 December 2022 were at average rates adverse to current market rates, resulting in an unrealised loss of £0.7m (2021: gain of £0.8m). If Sterling remains at its current rate or strengthens further against the US Dollar, these hedges as they mature will negatively impact profitability in the first half of 2023. However a stronger Sterling will mean that cost prices will reduce on translation; providing a natural buffer. Efforts have been taken to renegotiate customer pricing in the year which will further support our margins against foreign exchange volatility in the coming year.

Exceptional cost of sales of £0.2m (2021: £nil) were recognised in the year in respect to a new business win in the Americas region.

Technetix Group Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

• Overheads

During the year the business saw an increase in overheads of 47%; principally as a result of adverse FX movement (£1.3m), the addition of Lindsay Broadband Inc operating costs (£0.9m) and a return to usual travel patterns following the COVID-19 pandemic (0.6m). Excluding these factors, the increase in overheads was less than 15%; a resilient performance off the back of a 21% revenue increase and in the face of global inflation. The business was able to proactively manage these factors by tightly monitoring controllable spend and investing in further improvements to automation and operational efficiencies.

The business incurred exceptional overhead costs of £1.1m in the year (2021: £0.5m). These principally related to the legal and professional fees associated with the acquisition of Lindsay Broadband Inc, as well as a small amount of employee restructuring costs. Prior year costs related to the resolution of the legal dispute on the former facilities occupied by the business.

• Research and development

During the year, the Group increased its investment in research and development by 34% to £5.8m (2021: £4.3m). This increase was principally in relation to three factors; the onboarding of a new VP of engineering, increasing the investment in software and fibre development and finally further investment in the Americas through the onboarding of a new CTO and the Lindsay Broadband acquisition (£0.8m collectively). The Board views these changes as critical to maintaining its competitive advantage and future growth plans.

In line with its industry peers and in compliance with IFRS, it continued to capitalise research and development costs where appropriate. The amount capitalised in 2022 was £2.5m (2021: £3.0m). This slight reduction is part of the natural ebb and flow of the product development process; in the prior year, the business was on the cusp of rolling out several exciting new technologies which enabled the business to maximise capitalisation under the standard. The level of capitalisation in the current year is aligned to 2020, and the business expects an uptick in 2023.

Cash

The Group finished the year with cash in bank and at hand of £7.6m (2021: £16.7m).

Underlying net cash generated at £5.9m (2021: £2.2m), reconciled to those reported as follows:

	2022 £ 000	2021 £ 000
Reported cash generated from operations	507	5,684
Government tax deferrals	344	1,234
Exceptional working capital	8,225	-
Exceptional Freight	198	-
Exceptional items	1,104	482
Underlying cash generated from operations	10,378	7,400
Tax paid	(520)	(402)
Cash outflows from investing activities	(16,221)	(4,802)
Exceptional outflows related to acquisition	12,242	-
Underlying net cash from operations	5,879	2,196

Technetix Group Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

At the end of the period there were £1.7m of COVID-19 government tax deferrals (2021: £1.9m) payable. During the year, the business repaid £0.3m of these deferrals (2021: £1.2m); the remaining balance is repayable to the Dutch Tax Authority in equal instalments to 2027.

The business took out a loan during the year to fund the acquisition of Lindsay Broadband Inc, the loan is for €15m on a 5 year term, with an additional rolling credit facility of £5m which was undrawn at year end.

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

The business re-negotiated a supplier financing arrangement in the year, reducing terms from an average of 170 days in the prior year, to 145 days in the current year. The result of this was a finance cost saving of £0.5m in the year, however resulted in an exceptional working capital outflow of £8.2m which has been removed from underlying result.

Acquisitions

On 2nd September 2022, the Group completed the acquisition of Lindsay Broadband Inc in Canada. This acquisition will enable significant growth and market traction for Technetix; expanding its footprint in the Americas and offering its customers a broader range of solutions for cable, fibre and mobile networks.

The Group is pleased with the integration of the business and forward outlook heading into 2023 is strong with significant cross-sell and pipeline opportunities. The Group will be able to take advantage of the deferred and contingent consideration mechanisms that it put in place when acquiring Lindsay Broadband to ensure future consideration payments are adjusted for the actual level of business and support generated.

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

Principal risks and uncertainties

There are several risks and uncertainties which could impact the Group's long-term performance. This includes the same general risks and uncertainties that impact 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.

Outlined below is a description of the principal risks and uncertainties that are specific to the business; the Board conduct regular risk reviews to establish the likelihood and impact of the risks assessed to the Group. Not all these factors are within the Group's control. There may also 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) Loss of Key Customers

The Group's business, consistent with the rest of the industry, comes primarily from a few key tier one 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 customers as we grow business with new customers to mitigate this risk. The geographic expansion in the Americas region is supporting this strategy.

In addition, Liberty Global Ventures, the investment arm of Liberty Global, one of the Groups' biggest customers, has a strategic investment in the Group, underlining the strength of the ties between the two businesses.

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Strategic Report for the Year Ended 31 December 2022 (continued)

ii) Loss/Disruption of Key Suppliers

The Group outsources manufacture of its key products to trusted partners in the Far East. If one of these suppliers were to be lost or significantly impacted by unforeseen issues (such as a natural disaster or a significant deterioration in the wider geopolitical environment) it could have a materially adverse effect on the business.

The Group's strategy is to have second source suppliers for all key products, across different regions where feasible. This is an ongoing review, and 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.

iii) Key Component Shortage

The rebound in economic activity and pick-up in demand following recovery from COVID-19 caused a global key component shortage; resulting in extended lead times for products that include these key components as well as additional cost to source them.

The Group 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 manage pricing.

iv) Foreign Exchange

As the Group's business is international in nature it is exposed to risks associated with changes in foreign currency rates, in particular movements in both the US Dollar and Euro. This risk is heightened during periods of high foreign exchange volatility.

The Group seeks to reduce its exposure by hedging some of its foreign exchange using forward contracts. Such methods cannot remove all currency risk to the Group's trading performance, but it can help reduce the short term instability.

v) Product Defects

Defects in products as well as other issues resulting from 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. Customers have demanding performance requirements and increasingly want compatibility with other components in integrated systems which may in turn also lead to defects.

The Group has rigorous quality testing procedures in place with the aim of identifying any defects, compatibility issues or non-compliance with applicable customer or industry standards before products are shipped to customers. This testing may not identify all potential issues however.

vi) Intellectual Property

The Group has patent, registered design and trademark protection on all key intellectual property to ensure that it retains competitive advantage.

The Group actively pursues 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. - it takes a zero-tolerance approach to infringement.

Dividends

The Board is recommending the payment of a dividend in 2022 of 65 pence per share (2021: 90 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.

Technetix Group Limited

Strategic Report for the Year Ended 31 December 2022 (continued)

Outlook

Technetix is a market leader with 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 3 March 2023 and signed on its behalf by:



.....
Mr P A Broadhurst
Director

Technetix Group Limited

Directors' Report for the Year Ended 31 December 2022

The Directors present their report and the consolidated financial statements for the year ended 31 December 2022.

Certain requirements of the Directors' Report, including the business review are not included within the Directors' Report as they are shown in the Strategic Report on pages 2 to 9.

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 R Bell (appointed 9 February 2022)

Mr D J Ariesen

Mr D J McIntyre

Mr J H Brougham

Dr C Buechner

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 £22.8m (2021: £18.6m), Group underlying EBITDA was £6.8m (2021: £7.8m), on the back of revenues of £92.8m (2021: £76.6m).

Reported gross profit was £22.0m (2021: £19.3m), Group EBITDA was £4.8m (2021: £8.0m), on the back of revenues of £92.8m (2021: £76.5m).

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 £23,854 (2021: £15,699). Individual donations were:

	£
Chestnut Tree House Hospice	13,700
Crawley RFC	3,386
Ukraine Crisis Appeal	5,954
Street Child	426
Other	388
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Technetix Group Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

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 Group's 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 2022 (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.

As required by the standard, the Group undertook sensitivity testing on its future forecasts by applying downside assumptions to establish a plausible but severe scenario. The downside sensitivities testing was performed on a 12 month basis from the financial statements signing date, being the period to March 2024. Within the most plausible but severe downside model, assuming the business does not deliver on its new product release expectations, 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 2022 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

The chosen intensity measurement ratio is Tonnes CO₂e per FTE, the recommended ratio for the sector.

Measures taken to improve energy efficiency

The Group has changed its energy supplier in the UK from one which supplied 100% brown energy, to one which supplies 100% green energy. In addition, the Group are installing smart meters in the UK to improve energy monitoring.

UK Energy and Carbon Use

	2022	2021
Energy consumption used to calculate emissions (kWh)		
Energy consumption	184,947	163,773
Emissions in metric tonnes (CO₂e)		
Electricity consumption	31,803	33,056
Fuels	1,324	1,159
Business mileage	3,279	444
Total gross emissions in metric tonnes CO ₂ e	36,406	34,659
Intensity ratio		
Tonnes CO ₂ e per FTE	761	943

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.

Technetix Group Limited

Directors' Report for the Year Ended 31 December 2022 (continued)

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 2022 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.

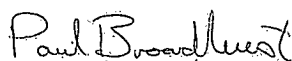
(e) As the Board of Directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours and in doing so, will contribute to the delivery 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 3 March 2023 and signed on its behalf by:



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 2022, 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 the preparation of their applicable law and UK-adopted international accounting standards 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 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group 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 inflationary global environment, supply chain challenges and cost of living crisis, 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.

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.

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.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

Other information

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

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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the group and parent company and industry in which they operate through our general commercial and sector experience, and discussions with management. We determined that the following laws and regulations were most significant: UK-adopted international accounting standards, the Companies Act 2006 and the relevant tax compliance regulations in the relevant jurisdictions which the group and parent company operates. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to distributable profits legislation, health and safety, data protection, antibribery legislation and employment law.
- We understood how the group and parent company is complying with those legal and regulatory frameworks by making inquiries to the management and those responsible for legal and compliance. We corroborated our inquiries through our review of board minutes.
- We assessed the susceptibility of the group and parent company's financial statements to material misstatement, including how fraud might occur and the risk of management override of controls. Audit procedures performed by the group engagement team included:
 - identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
 - challenging assumptions and judgements made by management in its significant accounting estimates;
 - identifying and testing journal entries, in particular manual journal entries to revenue; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- The 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; and
 - understanding of the legal and regulatory requirements specific to the entity including, the provisions of the applicable legislation, the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules and the applicable statutory provision.
- Team communications in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in revenue and management override of controls.
- 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.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the group and parent company's operations, including the nature of its revenue sources, products and services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement;
 - the group and parent company's control environment, including:
 - management knowledge of relevant laws and regulations and how the parent and the group is complying with those laws and regulations;
 - the adequacy of procedures for authorisation of transactions, internal review procedures over the parent company's and the group's compliance with regulatory requirements; and
 - procedures to ensure that possible breaches of laws and regulations are appropriately resolved.

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

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

Use of our report

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

Grant Thornton UK LLP

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

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

3 March 2023

Technetix Group Limited

Consolidated Income Statement for the Year Ended 31 December 2022

		31 December 2022 Before Exceptional Items £ 000	31 December 2022 Exceptional Items (Note 6) £ 000	31 December 2022 £ 000	31 December 2021 £ 000
	Note				
Revenue	5	92,829	-	92,829	76,521
Cost of sales		<u>(70,878)</u>	<u>-</u>	<u>(70,878)</u>	<u>(57,192)</u>
Gross profit		21,951	-	21,951	19,329
Administrative expenses		<u>(20,996)</u>	<u>(1,104)</u>	<u>(22,100)</u>	<u>(16,095)</u>
Operating profit/(loss)	6	955	(1,104)	(149)	3,234
Finance costs	8	<u>(1,416)</u>	<u>-</u>	<u>(1,416)</u>	<u>(1,018)</u>
(Loss)/Profit before tax		(461)	(1,104)	(1,565)	2,216
Income tax receipt/(expense)	11	<u>108</u>	<u>-</u>	<u>108</u>	<u>(903)</u>
(Loss)/Profit for the year		<u>(353)</u>	<u>(1,104)</u>	<u>(1,457)</u>	<u>1,313</u>
(Loss)/Profit attributable to:					
Owners of the Company		<u>(353)</u>	<u>(1,104)</u>	<u>(1,457)</u>	<u>1,313</u>

The above results were derived from continuing operations.

Technetix Group Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2022

	31 December 2022 £ 000	31 December 2021 £ 000
(Loss)/profit for the year	(1,457)	1,313
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation losses	<u>(977)</u>	<u>(1,066)</u>
Total comprehensive income for the year	<u>(2,434)</u>	<u>247</u>
Total comprehensive income attributable to:		
Owners of the Company	<u>(2,434)</u>	<u>247</u>

Technetix Group Limited

(Registration number: 05303822)

Consolidated Statement of Financial Position as at 31 December 2022

	Note	31 December 2022 £ 000	31 December 2021 £ 000
Assets			
Non-current assets			
Property, plant and equipment	12	1,377	1,061
Right of use assets	13	3,341	3,526
Intangible assets	14	33,669	21,358
		<u>38,387</u>	<u>25,945</u>
Current assets			
Inventories	17	19,166	11,823
Trade and other receivables	18	11,240	9,377
Income tax asset		192	-
Cash and cash equivalents	19	7,641	16,725
Other current financial assets	24	194	189
		<u>38,433</u>	<u>38,114</u>
Total assets		<u>76,820</u>	<u>64,059</u>
Equity and liabilities			
Equity			
Share capital	25	(7)	(7)
Share premium		(6,637)	(6,637)
Foreign currency translation reserve		(465)	(1,442)
Other reserves		433	391
Retained earnings		(10,903)	(12,965)
Equity attributable to owners of the Company		<u>(17,579)</u>	<u>(20,660)</u>
Non-current liabilities			
Deferred tax liabilities	11	(1,221)	(525)
Loans and borrowings	21	(14,497)	(5,857)
Provisions	22	(26)	(17)
Long term lease liabilities	23	(3,165)	(3,430)
		<u>(18,909)</u>	<u>(9,829)</u>
Current liabilities			
Trade and other payables	20	(37,380)	(32,151)
Loans and borrowings	21	(1,047)	-
Income tax liability		-	(167)
Provisions	22	(590)	(521)
Current portion of long term lease liabilities	23	(817)	(731)
Other current financial liabilities	24	(498)	-
		<u>(40,332)</u>	<u>(33,570)</u>
Total liabilities		<u>(59,241)</u>	<u>(43,399)</u>
Total equity and liabilities		<u>76,820</u>	<u>64,059</u>

Approved by the Board on 3 March 2023 and signed on its behalf by:

Mr P A Broadhurst
Director



The notes on pages 27 to 60 form an integral part of these financial statements.

Technetix Group Limited

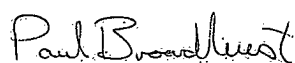
(Registration number: 05303822)

Statement of Financial Position as at 31 December 2022

	Note	31 December 2022 £ 000	31 December 2021 £ 000
Assets			
Non-current assets			
Investments in subsidiaries	15	16,722	11,549
Deferred tax assets	11	21	26
		<u>16,743</u>	<u>11,575</u>
Current assets			
Trade and other receivables	18	13,115	10,642
Cash and cash equivalents	19	204	19
Other current financial assets		194	-
		<u>13,513</u>	<u>10,661</u>
Total assets		<u>30,256</u>	<u>22,236</u>
Equity and liabilities			
Equity			
Share capital	25	(7)	(7)
Share premium		(6,637)	(6,637)
Other reserves		433	391
Retained earnings		<u>(7,345)</u>	<u>(10,081)</u>
Total equity		<u>(13,556)</u>	<u>(16,334)</u>
Non-current liabilities			
Loans and borrowings	21	(14,497)	(5,857)
Current liabilities			
Trade and other payables	20	(1,156)	(45)
Loans and borrowings	21	<u>(1,047)</u>	<u>-</u>
		<u>(2,203)</u>	<u>(45)</u>
Total liabilities		<u>(16,700)</u>	<u>(5,902)</u>
Total equity and liabilities		<u>(30,256)</u>	<u>(22,236)</u>

The (loss)/profit for the financial year of the Parent Company was £(2,131)k (2021: £(314)k)

Approved by the Board on 3 March 2023 and signed on its behalf by:



Mr P A Broadhurst
Director

Technetix Group Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £ 000	Share premium £ 000	Foreign currency translation £ 000	Other reserves £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2022	7	6,637	1,442	(391)	12,965	20,660
Loss for the year	-	-	-	-	(1,457)	(1,457)
Other comprehensive income	-	-	(977)	-	-	(977)
Total comprehensive income	-	-	(977)	-	(1,457)	(2,434)
Dividends	-	-	-	-	(605)	(605)
Share based payment transactions	-	-	-	(42)	-	(42)
At 31 December 2022	7	6,637	465	(433)	10,903	17,579

	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

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 2022 of £169k (2021: 212k) and an Employee Benefit Trust deficit of £601k (2021: £601k reclassified).

The notes on pages 27 to 60 form an integral part of these financial statements.

Technetix Group Limited

Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £ 000	Share premium £ 000	Other reserves £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2022	7	6,637	(391)	10,081	16,334
Loss for the year	-	-	-	(2,131)	(2,131)
Total comprehensive income	-	-	-	(2,131)	(2,131)
Dividends	-	-	-	(605)	(605)
Share based payment transactions	-	-	(42)	-	(42)
At 31 December 2022	7	6,637	(433)	7,345	13,556

	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 reserves	-	-	(462)	462	-
Share based payment transactions	-	-	16	-	16
At 31 December 2021	7	6,637	(391)	10,081	16,334

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 2022 of £169k (2021: £212k) and an Employee Benefit Trust deficit of £601k (2021: £601k reclassified).

Technetix Group Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2022

	Note	31 December 2022 £ 000	31 December 2021 £ 000
Cash flows from operating activities			
(Loss)/profit for the year		(1,457)	1,313
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	6	4,150	3,940
Depreciation on right of use assets	6	804	808
Financial instrument net (losses)/gains through profit and loss		(120)	210
Loss on disposal of property plant and equipment	6	37	17
Financial instrument net loss/(gain)	6	687	(785)
Unrealised Foreign Exchange		(977)	(1,066)
Finance costs	8	1,416	1,018
Income tax expense	11	(108)	903
		4,432	6,358
Increase in inventories	17	(7,343)	(99)
Increase in trade and other receivables	18	(1,862)	(720)
Increase/(decrease) in trade and other payables	20	3,570	(531)
Increase in deferred income		1,727	417
(Decrease)/increase in provisions	22	(16)	259
Cash generated from operations		508	5,684
Income taxes paid		(520)	(402)
Net cash flow from operating activities		(12)	5,282
Cash flows from investing activities			
Acquisition of intangible assets	14	(2,580)	(3,260)
Acquisition of tangible assets		(615)	(753)
Lease payments made on right of use assets		(786)	(789)
Acquisition of subsidiaries net of cash acquired		(12,242)	-
Net cash flows from investing activities		(16,223)	(4,802)
Cash flows from financing activities			
Interest paid	8	(1,213)	(763)
Interest expense on leases	8	(203)	(255)
Payments for purchase of own shares		-	(141)
Dividends paid		(605)	(306)
Derivatives acquired		(207)	-
Loan drawdowns		15,528	-
Repayment of Term Loans		(6,223)	-
Net cash flows from financing activities		7,077	(1,465)
Net decrease in cash and cash equivalents		(9,158)	(985)
Cash and cash equivalents at 1 January		16,725	17,720
Effect of exchange rate fluctuations on cash held		74	(10)
Cash and cash equivalents at 31 December		7,641	16,725

The notes on pages 27 to 60 form an integral part of these financial statements.

Technetix Group Limited

Statement of Cash Flows for the Year Ended 31 December 2022

	Note	31 December 2022 £ 000	31 December 2021 £ 000
Cash flows from operating activities			
Loss for the year		(2,131)	(314)
Adjustments to cash flows from non-cash items			
Foreign exchange loss/(gain)		358	(240)
Share based payment transactions		(51)	16
Financial instrument net gains (losses) through profit and loss		(68)	-
Income tax expense		-	2
Finance costs		752	98
		(1,140)	(438)
(Increase)/decrease in trade and other receivables	18	(2,473)	928
Increase/(decrease) in trade and other payables	20	110	(1)
Increase/(decrease) in provisions		1,001	-
Net cash flow from operating activities		(2,502)	489
Cash flows from investing activities			
Acquisition of subsidiaries	15	(5,173)	-
Net cash flows from investing activities		(5,173)	-
Cash flows from financing activities			
Interest paid		(633)	(98)
Repayment of Term Loans		(6,223)	-
Proceeds from bank borrow down drawdowns		15,528	-
Payments for purchase of own shares		-	(141)
Dividends paid		(605)	(306)
Derivatives acquired		(207)	-
Net cash flows used in financing activities		7,860	(545)
Net increase/(decrease) in cash and cash equivalents		185	(56)
Cash and cash equivalents at 1 January		19	75
Cash and cash equivalents at 31 December		204	19

The notes on pages 27 to 60 form an integral part of these financial statements.

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

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 3 March 2023.

2 Accounting policies

Statement of compliance

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

Basis of preparation

These financial statements have been prepared in accordance with UK-adopted International Accounting 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 2022.

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 2022 and which have not been adopted early, are expected to have a material effect on the financial statements.

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

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.

As required by the standard, the Group undertook sensitivity testing on its future forecasts by applying downside assumptions to establish a plausible but severe scenario. The downside sensitivities testing was performed on a 12 month basis from the financial statements signing date, being the period to March 2024. Within the most plausible but severe downside model, assuming the business does not deliver on its new product release expectations, 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 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 subsequently 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

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

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.

Investments in subsidiaries are held at cost less amounts impaired or written off.

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.

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

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.

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

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 item 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.

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Other reserves

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

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 of Technetix Group only, as opposed to being recognised in the subsidiary entities as per prior years. 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.

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Leases

Initial recognition and measurement

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

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

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

Subsequent measurement

After the commencement date, the Group measures the lease liability by:

- (a) Increasing the carrying amount to reflect interest on the lease liability;
- (b) Reducing the carrying amount to reflect the lease payments made; and
- (c) Re-measuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in substance fixed lease payments or on the occurrence of other specific events.

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

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

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

Short term and low value leases

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

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

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

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.

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Classification and measurement

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

Financial assets at fair value through the profit or loss (FVTPL)

Financial assets not otherwise classified above are classified and measured as FVTPL.

Financial liabilities at amortised cost

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

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

Financial liabilities at fair value through the profit or loss

Financial liabilities not measured at amortised cost are classified and measured at FVTPL. This classification includes derivative liabilities.

Derecognition

Financial assets

The Group derecognises a financial asset when;

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

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

Financial liabilities

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

Modification of financial assets and financial liabilities

Financial assets

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

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

Financial liabilities

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

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

2 Accounting policies (continued)

Impairment of financial assets

Measurement of Expected Credit Losses

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

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

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

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

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

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

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.

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

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 differ from these estimates.

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

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 two cash generating units, being Europe and the Americas, 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

European Cash Generating Unit

The value in use has been calculated using the discounted cash flow for the European cash generating unit based on financial forecasts. The key assumptions applied included a 1.5% growth rate beyond the forecast period (2021: 1%) and a 12.45% discounted rate (2021: 5.9%). The model is most sensitive to a change in discount rate, however the rate would need to exceed 16% before impairment is required.

Americas Cash Generating Unit

The value in use has been calculated using the discounted cash flow for the European cash generating unit based on financial forecasts. The key assumptions applied included a 1.5% growth rate beyond the forecast period (2021: 1%) and a 12.45% discounted rate (2021: 5.9%). The model is most sensitive to a change in discount rate, however the rate would need to exceed 16% before impairment is required.

The business applied multiple sensitivities, with 0% cash flow growth and EBITDA delivery being missed by 15% being the most plausible but severe assumptions as a result of global inflation pressures. Under these assumptions, both CGU's had significant headroom, with no impairment required.

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.

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

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

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.

In 2022, these estimates have been applied to the acquisition of Lindsay Broadband Inc, details of which are disclosed in note 16.

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 its short term financial demands.

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

4 Financial risk review (continued)

Maturity analysis for financial liabilities

2022	Carrying amount £ 000	Less than 1 year £ 000	Between 1-5 years £ 000
Non-derivative liabilities			
Bank borrowings	15,543	1,047	14,497
Trade and other payables	32,348	32,345	-
Warrants	1,001	1,001	-
Contingent consideration	1,683	-	1,683
Deferred consideration	2,348	-	2,348

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

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 2022 (continued)

5 Revenue

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

	31 December 2022 £ 000	31 December 2021 £ 000
Sale of goods	92,829	76,521

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 2022 £ 000	31 December 2021 £ 000
Europe, Including UK	73,531	66,442
Rest of World	19,298	10,079
	92,829	76,521

6 Operating profit

Arrived at after charging/(crediting)

	31 December 2022 £ 000	31 December 2021 £ 000
Depreciation expense	604	490
Depreciation on right of use assets - Property	720	713
Depreciation on right of use assets - Vehicles	84	95
Amortisation expense	3,546	3,451
Research and development expensed	3,220	1,354
Fair value change on forward foreign exchange contracts	687	(785)
Operating lease expense - Property	74	74
Operating lease expense - Vehicles	(7)	(19)
Loss on disposal of property, plant and equipment	37	17
Expense on low value leases	18	23
Exceptional items		
Exceptional costs	1,095	482

Exceptional costs principally related to the legal and professional fees associated with the business acquired in the year and employee restructuring costs. Costs incurred in 2021 principally related to the legal costs of the dilapidations claim from the previous offices which has now been settled.

The exceptional costs reduced the tax charge for the year by £210k (2021: £92k).

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

7 Auditors' remuneration

	31 December 2022 £ 000	31 December 2021 £ 000
Audit of these financial statements	123	67
Audit of the subsidiaries pursuant to legislation	87	83
Auditors Fees - Other	2	-
	<u>212</u>	<u>150</u>

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 for 2021, after which the costs are included in Technetix BV.

8 Finance income and costs

	31 December 2022 £ 000	31 December 2021 £ 000
Finance costs		
Interest on bank overdrafts and borrowings	497	251
Other finance costs	151	579
Foreign exchange gains/(losses) on bank borrowing	402	(112)
Amortisation of capitalised arrangement fees	163	45
Interest expense on leases - Property	193	244
Interest expense on leases - Vehicles	10	11
Total finance costs	<u>1,416</u>	<u>1,018</u>

9 Staff costs

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

	31 December 2022 £ 000	31 December 2021 £ 000
Wages and salaries	7,138	5,705
Social security costs	1,646	832
Pension costs, defined contribution scheme	328	273
	<u>9,112</u>	<u>6,810</u>

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

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 2022 No.	31 December 2021 No.
Production	20	13
Office, management and warehouse	170	140
	<u>190</u>	<u>153</u>

10 Directors' remuneration

The Directors' remuneration for the year was as follows:

	31 December 2022 £ 000	31 December 2021 £ 000
Remuneration	1,437	1,458
Contributions to pension funds	42	44
	<u>1,479</u>	<u>1,502</u>

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

	31 December 2022 No.	31 December 2021 No.
Contributions towards personal pension schemes	4	3

In respect of the highest paid Director:

	31 December 2022 £ 000	31 December 2021 £ 000
Remuneration	662	719
Contributions to pension funds	24	24
	<u>686</u>	<u>743</u>

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 2022 (continued)

11 Income tax

Tax charged/(credited) in the income statement

	31 December 2022 £ 000	31 December 2021 £ 000
Current taxation		
Corporation tax - current year	159	536
Corporation tax - prior year	<u>13</u>	<u>89</u>
	<u>172</u>	<u>625</u>
Deferred taxation		
Deferred tax - current year	(316)	246
Deferred tax - prior year	<u>36</u>	<u>32</u>
Total deferred taxation	<u>(280)</u>	<u>278</u>
Tax charged in the income statement	<u>(108)</u>	<u>903</u>

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

	31 December 2022 £ 000	31 December 2021 £ 000
(Loss)/profit before tax	<u>(1,565)</u>	<u>2,216</u>
Corporation tax at standard rate of 19% (2019: 19%)	(297)	421
Increase in current tax from adjustment for prior periods	50	120
Decrease from effect of expenses not deductible in determining taxable profit (tax loss)	(238)	(74)
Increase from effect of unrelieved tax losses carried forward	625	555
Decrease from effect of foreign tax rates	(255)	(128)
Increase from effect of adjustment in research development tax credit	<u>7</u>	<u>9</u>
Total tax (credit)/charge	<u>(108)</u>	<u>903</u>

The main UK corporation tax rate is 19% (2021: 19%). The UK corporation tax rate will increase from 19% to 25% on profits over £50,000 with effect from 1st April 2023.

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

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 2022 £ 000	Recognised in income £ 000	Acquisitions £ 000	At 31 December 2022 £ 000
Accelerated tax depreciation	(20)	5	-	(15)
Provisions	215	29	-	243
Deferred development costs	(1,181)	54	-	(1,127)
Tax losses carry-forwards	461	163	-	624
Intangible assets	-	41	(989)	(947)
Net tax assets/(liabilities)	<u>(525)</u>	<u>292</u>	<u>(989)</u>	<u>(1,221)</u>

There are net £4,303,022 of unused tax losses (2021: £3,685,906) for which no deferred tax asset is recognised in the statement of financial position.

Company

Deferred tax movement during the year:

	At 1 January 2022 £ 000	Recognised in income £ 000	At 31 December 2022 £ 000
Accelerated tax depreciation	<u>26</u>	<u>(5)</u>	<u>21</u>

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (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 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
At 1 January 2022	165	3,983	773	4,921
Additions	26	585	4	615
Acquired through business combinations	19	256	18	293
Disposals	-	(266)	(190)	(456)
Transfers	-	94	-	94
Foreign exchange movements	2	35	40	77
At 31 December 2022	212	4,687	645	5,544
Depreciation				
At 1 January 2021	95	4,222	703	5,020
Charge for year	15	451	23	489
Disposals	-	(1,528)	-	(1,528)
Foreign exchange movements	(2)	(100)	(19)	(121)
At 31 December 2021	108	3,045	707	3,860
At 1 January 2022	108	3,045	707	3,860
Charge for the year	22	561	21	604
Disposals	1	(279)	(188)	(466)
Transfers	-	94	-	94
Foreign exchange movements	2	34	39	75
At 31 December 2022	133	3,455	579	4,167
Carrying amount				
At 31 December 2022	79	1,232	66	1,377
At 31 December 2021	57	938	66	1,061
At 1 January 2021	38	725	66	829

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

13 Right of use assets

Group	Property £ 000	Vehicles £ 000	Total £ 000
Cost or valuation			
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
At 1 January 2022	6,010	336	6,346
Additions	428	67	495
Disposals	-	(72)	(72)
Foreign exchange movements	261	17	278
At 31 December 2022	6,699	348	7,047
Depreciation			
At 1 January 2021	1,998	137	2,135
Charge for year	713	95	808
Disposals	-	(69)	(69)
Foreign exchange movements	(64)	10	(54)
At 31 December 2021	2,647	173	2,820
At 1 January 2022	2,647	173	2,820
Charge for the year	720	84	804
Disposals	-	(37)	(37)
Foreign exchange movements	108	11	119
At 31 December 2022	3,475	231	3,706
Carrying amount			
At 31 December 2022	3,224	117	3,341
At 31 December 2021	3,363	163	3,526

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (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 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
At 1 January 2022	13,288	1,944	3,213	11,255	2,452	32,152
Additions	2,461	119	-	-	-	2,580
Acquired through business combinations	-	342	6,302	7,329	49	14,022
Disposals	(579)	(58)	-	-	(175)	(812)
Foreign exchange	-	57	(21)	(699)	32	(631)
At 31 December 2022	15,170	2,404	9,494	17,885	2,358	47,311
Amortisation						
At 1 January 2021	5,154	827	238	-	2,059	8,278
Charge for year	2,762	288	223	-	178	3,451
Disposals	(711)	(76)	-	-	(101)	(888)
Foreign exchange	-	(11)	(15)	-	(21)	(47)
At 31 December 2021	7,205	1,028	446	-	2,115	10,794
At 1 January 2022	7,205	1,028	446	-	2,115	10,794
Charge for year	2,735	242	428	-	141	3,546
Disposals	(545)	(57)	-	-	(175)	(777)
Foreign exchange	-	27	33	-	19	79
At 31 December 2022	9,395	1,240	907	-	2,100	13,642
Carrying amount						
At 31 December 2022	5,775	1,164	8,587	17,885	258	33,669
At 31 December 2021	6,083	916	2,767	11,255	337	21,358
At 1 January 2021	5,825	1,177	3,194	11,345	384	21,925

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

15 Investments

Summary of the company investments

	31 December 2022 £ 000	31 December 2021 £ 000
Investments in subsidiaries	<u>16,722</u>	<u>11,549</u>

The movement represents the acquisition of Lindsay Broadband in the year.

Subsidiaries	£ 000
Cost or valuation	
At 1 January 2021	<u>11,549</u>
At 31 December 2021	<u>11,549</u>
At 1 January 2022	<u>11,549</u>
Additions	<u>5,173</u>
At 31 December 2022	<u>16,722</u>

Group subsidiaries

Details of the Group subsidiaries as at 31 December 2022 are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Proportion of ownership interest and voting rights held	
			2022	2021
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%
Lindsay Broadband Inc	Trading company	Canada	100%	0%

* indicates direct investment of the Company

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

15 Investments (continued)

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
 Lindsay Broadband Inc: 2-2035 Fisher Dr, Peterborough, ON K9J 6X6, Canada

16 Business combinations

On 1 September 2022, the Group completed the acquisition of the broadband company Lindsay Broadband Inc, establishing a base in Canada and affirming its commitment to the Americas, enhancing its position in Canada.

The acquisition has enabled the accelerated growth and market traction for Technetix, particularly with the addition of a Canadian office in its global network. Lindsay Broadband Inc is expected to become an integral part of Technetix, enabling the Group to further expand its extensive portfolio.

	£ 000
Cash	14,437
Deferred consideration (FV)	1,962
Contingent consideration arrangement (FV)	1,765
Net working capital normalization	(1,213)
Sales tax withholding	(460)
Corporation tax withholding	(1,024)
Total	15,467

The net cash impact of the business acquisition as at 31 December 2022 of £12,242 amounted to cash paid, transactions, net cash paid acquired and other purchase related adjustments.

The contingent consideration arrangement requires Technetix to pay in cash, to management participants of Lindsay Broadband, up to maximum amount of CAD 3.5m based on 2023 results as an Earnout on total EBITDA target of CAD 4.5m, up to a maximum EBITDA target of CAD 5.5m.

The deferred consideration arrangement required Technetix to pay in cash CAD 3.5m, 24 months after the closing date.

Recognised amounts of net assets acquired

	£ 000
Trademarks and brand name	342
Customer Relationships	6,302
Capital Assets	293
Net working Capital	1,435
Cash	755
Deferred tax	(989)
Total identifiable net assets	8,138
Goodwill	7,329
Total	15,467

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

16 Business combinations (continued)

Acquisition-related costs of £1.0m have been charged to exceptional costs in the consolidated income statement for the year ended 31 December 2022.

Since the date of acquisition, Lindsay Broadband contributed revenue of £2.1m and reported loss before tax of £0.4m to the Group results.

17 Inventories

	Group		Company	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	£ 000	£ 000	£ 000	£ 000
Goods for resale	12,925	7,506	-	-
Goods in transit	6,241	4,317	-	-
	<u>19,166</u>	<u>11,823</u>	<u>-</u>	<u>-</u>

The inventories provision at 31 December 2022 was £3,310k (2021: £3,340k).

18 Trade and other receivables

	Group		Company	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	£ 000	£ 000	£ 000	£ 000
Trade receivables	10,753	9,097	-	-
Provision for impairment of trade receivables	-	(24)	-	-
Net trade receivables	10,753	9,073	-	-
Receivables from Group undertakings	-	-	13,115	10,642
Prepayments	487	304	-	-
	<u>11,240</u>	<u>9,377</u>	<u>13,115</u>	<u>10,642</u>

19 Cash and cash equivalents

	Group		Company	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	£ 000	£ 000	£ 000	£ 000
Cash on hand	7	7	-	-
Cash at bank	7,634	16,718	204	19
	<u>7,641</u>	<u>16,725</u>	<u>204</u>	<u>19</u>

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

20 Trade and other payables

	Group		Company	
	31 December 2022 £ 000	31 December 2021 £ 000	31 December 2022 £ 000	31 December 2021 £ 000
Trade payables	25,648	26,932	-	-
Accrued expenses	2,620	973	155	45
Social security and other taxes	4,080	2,556	-	-
Deferred Consideration	2,348	621	-	-
Contingent Consideration	1,683	-	-	-
Warrants provision	1,001	1,069	1,001	-
	<u>37,380</u>	<u>32,151</u>	<u>1,156</u>	<u>45</u>

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 2022 £ 000	31 December 2021 £ 000	31 December 2022 £ 000	31 December 2021 £ 000
Current loans and borrowings				
Bank borrowings	<u>1,047</u>	<u>-</u>	<u>1,047</u>	<u>-</u>
	Group		Company	
	31 December 2022 £ 000	31 December 2021 £ 000	31 December 2022 £ 000	31 December 2021 £ 000
Non-current loans and borrowings				
Bank borrowings	<u>14,497</u>	<u>5,857</u>	<u>14,497</u>	<u>5,857</u>

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

21 Loans and borrowings (continued)

Company

The HSBC Loan for €18m was taken out in the year and is demoninated in EUR with a nominal interest rate of 2.65% above ECB (European Central Bank) and is due for repayment in September 2026. The carrying amount, translated into GBP at year end is £15,544k (2021: £nil).

A multi-currency HSBC Revolving Credit Facility for £5m was taken out in the year, and is denominated in GBP with a nominal interest rate of 2.8% above UK Base Rate and is due for repayment in September 2026. The carrying amount at year end is £nil. The RCF has not been drawdown and the full £5m remains available to drawn upon.

The previous Revolving Credit Facility (EUR) was fully repaid in the year, as such the carrying amount of this RCF at year end is £nil (2021: £5,857k).

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 2022	521	17	538
Increase (decrease) in existing provisions	43	8	51
Increase (decrease) due to foreign exchange differences	26	1	27
At 31 December 2022	590	26	616
Non-current liabilities	-	26	26
Current liabilities	590	-	590

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 (2021: £Nil).

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

23 Leases

Group

Leases included in creditors

	31 December 2022 £ 000	31 December 2021 £ 000
Current portion of long term lease liabilities	817	731
Long term lease liabilities	<u>3,165</u>	<u>3,430</u>
	<u>3,982</u>	<u>4,161</u>

Lease liabilities maturity analysis

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

	31 December 2022 £ 000	31 December 2021 £ 000
Less than one year	1,044	938
2 years	851	860
3 years	817	717
4 years	776	688
5 years	309	661
6 years	265	265
7 years	265	265
8 years	132	265
9 years	<u>-</u>	<u>110</u>
Total lease liabilities (undiscounted)	<u>4,459</u>	<u>4,769</u>

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

23 Leases (continued)

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 economic environment.

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 economic environment.

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 economic environment.

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%.

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

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 2022 £ 000	31 December 2021 £ 000	31 December 2022 £ 000	31 December 2021 £ 000
Interest Cap Derivative financial instrument	-	-	194	-
Hedged Derivative financial instruments	-	-	-	189
	<u>-</u>	<u>-</u>	<u>194</u>	<u>189</u>

Valuation methods and assumptions

Interest Cap Derivative financial instrument:

The Group took out an interest rate cap in the year linked to a notional amount of EUR 18m being the HSBC Bank loan secured in the year. This 3% EURIBOR interest rate cap expires in more than 12 months, however is held as a current asset at due to the floating nature of the asset. The value of the interest cap derivative is reduced in line with the underlying bank loan value.

During the year \$14k (£nil) was released to finance costs.

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.

Hedged 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.

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

24 Financial instruments (continued)

Loans and receivables

	Amortised cost		Fair value	
	31 December 2022 £ 000	31 December 2021 £ 000	31 December 2022 £ 000	31 December 2021 £ 000
Cash and cash equivalents	7,641	16,725	-	-
Trade and other receivables	11,239	9,377	-	-
	<u>18,880</u>	<u>26,102</u>	<u>-</u>	<u>-</u>

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 2022 £ 000	31 December 2021 £ 000	31 December 2022 £ 000	31 December 2021 £ 000
Contingent consideration	-	-	1,683	-
Warrants	-	-	1,001	1,069
Deferred Consideration	-	-	1,870	-
Hedged Derivative financial instruments	-	-	498	-
	<u>-</u>	<u>-</u>	<u>5,052</u>	<u>1,069</u>

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.

Deferred Consideration:

Deferred consideration is classified as a liability and is measured at fair value on the acquisition date. Deferred 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.

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

Hedged 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 2022 were USD 16m (2021: USD 21m) and EUR 18m (2021: EUR 14m). Fair value changes on forward exchange hedges are included in cost of sales in the Statement of Comprehensive Income, a net loss of £0.69m was recognised (2021: gain of £0.79m).

Financial liabilities at amortised cost

	Amortised cost		Fair value	
	31 December 2022 £ 000	31 December 2021 £ 000	31 December 2022 £ 000	31 December 2021 £ 000
Trade and other payables	31,535	30,461	3,865	-
Borrowings	15,544	5,857	-	-
	<u>47,079</u>	<u>36,318</u>	<u>3,865</u>	<u>-</u>

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.

25 Share capital

Allotted, called up and fully paid shares

	31 December 2022		31 December 2021	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £0.01 each	<u>683</u>	<u>6.83</u>	<u>683</u>	<u>6.83</u>

Allotted and partially paid shares

	31 December 2022		31 December 2021	
	No. 000	£ 000	No. 000	£ 000
Ordinary Shares of £0.01 each	<u>38</u>	<u>-</u>	<u>38</u>	<u>-</u>

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

25 Share capital (continued)

Authorised share capital

	31 December 2022		31 December 2021	
	No. 000	£ 000	No. 000	£ 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:

	31 December 2022	31 December 2021
	Number	Number
Outstanding, start of period	35,134	35,134
Granted during the period	15,040	-
Expired during the period	(23,075)	-
Outstanding, end of period	27,099	35,134

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

	31 December 2022	31 December 2021
	pence	pence
Outstanding, start of period	1,428	1,428
Granted during the period	473	-
Expired during the period	(957)	-
Outstanding, end of period	943	1,428

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

26 Share-based payments (continued)

Outstanding share options

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

	31 December 2022	31 December 2021
Weighted average exercise price (£)	9	14
Number of share options outstanding	27,099	35,134
Expected weighted average remaining life (years)	<u>6</u>	<u>3</u>

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 15,040 grants in the year (2021 - there were no grants in the year)

	31 December 2022
Weighted average share price during the period (£)	9
Share price at date of grant (£)	106
Expected volatility (%)	27
Vesting period in years	3
Option life in years	9
Expected life of option in practice in years	3
Expected dividends, expressed as a dividend yield (%)	1
Risk-free interest rate (%)	4
Number of employees subject to option grant	<u>17</u>

Charge/credit arising from share-based payments

The total charge/(credit) for the year for equity-settled share-based payments was £(70)k (2021 - £16k), of which £(79)k (2021 - £16k) related to fair value changes.

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. During the year all EMI options expired.

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Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

26 Share-based payments (continued)

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

	31 December 2022 Number	31 December 2021 Number
Outstanding, start of period	12,401	12,401
Expired during the period	(12,401)	-
Outstanding, end of period	<u>-</u>	<u>12,401</u>

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

	31 December 2022 pence	31 December 2021 pence
Outstanding, start of period	371	371
Expired during the period	(371)	-
Outstanding, end of period	<u>-</u>	<u>371</u>

Outstanding share options

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

	31 December 2022	31 December 2021
Weighted average exercise price (£)	-	4
Number of share options outstanding	-	12,401
Expected weighted average remaining life (years)	<u>-</u>	<u>3</u>

Charge/credit arising from share-based payments

The total charge/(credit) for the year for share-based payments was £121k (2021 - £Nil), of which £Nil (2021 - £Nil) related to equity-settled share-based payment transactions.

Technetix Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2022 (continued)

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.

Liberty Global have 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 £nil as a reduction to net sales in connection with warrants (2021: £93k) as no warrants were issued during the year. A fair value adjustment of £68k has been recognised in the year as a credit to the profit & loss.

28 Contingent liabilities

Group

Technetix Limited has given the following guarantees to its bankers in relation to; HM Revenue & Customs for £105k (2021: £80k), Dutch Customs for €138.5k (2021: €143.5k) and Irish Revenue for €100k (2021: €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.