

Registration number: 02484988

Technetix Limited

Annual Report and Financial Statements
for the Year Ended 31 December 2021



Technetix Limited

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Technetix Limited

Company Information

Directors	Mr P A Broadhurst Mr R Bell
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 2nd Floor, St Johns House Haslett Avenue West Crawley RH10 1HS

Technetix Limited

Strategic Report for the Year Ended 31 December 2021

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

Review of the business

Technetix Limited is a subsidiary of the international Group headed by Technetix Group Limited. The Group carries out the design, development, manufacture and distribution of proprietary mission critical network technology to major broadband, cable, fibre and telecommunications operators worldwide.

Customer network spending trends started to accelerate in 2021 from their subdued level in 2020 as markets started to return to a more normalised state, particularly in the second half of the year. Industry consensus is that these spending trends will get incrementally better in the coming years as cable operators continue to invest in the next generation architecture technology in their networks. The Company believes that it has maintained its market share and is firmly of the view that industry macro-trends remain very favourable and continue to offer significant and attractive long-term growth potential.

Operationally Technetix has had to deal with significant headwinds during the year as global supply chains are unable to keep pace with the rebound in economic activity. These challenges have impacted every business in the industry, and the broader economy, as the world emerges from the COVID-19 pandemic. Technetix has proactively managed these issues through leveraging its robust financial position and strong strategic supplier relationships to support its customers' needs. The availability of some components has restricted some product delivery in 2021, however the Company entered 2022 with a strong order book.

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

Key performance indicators

The key performance indicators for the Company are sales growth and underlying* EBITDA.

	2021 £ 000	2020 £ 000
Third party revenue	23,998	25,552
Related party revenue	<u>33,232</u>	<u>37,006</u>
Total reported revenue	<u>57,230</u>	<u>62,558</u>

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

	Note	2021 £ 000	2020 £ 000
Reported revenue	4	57,230	62,558
Reduction in revenue related to warrants		<u>55</u>	<u>83</u>
Underlying revenue		57,285	62,641
Cost of sales		(48,292)	(54,081)
Fair value changes on forward foreign exchange contracts	5	<u>(785)</u>	<u>(32)</u>
Underlying gross profit		8,208	8,528
Selling, distribution and administrative expenses		(7,235)	(7,994)
Depreciation and amortisation expense	5	788	785
Exceptional costs	5	<u>482</u>	<u>447</u>
Underlying EBITDA		<u>2,243</u>	<u>1,766</u>
Underlying EBITDA % underlying revenue		<u>3.9%</u>	<u>2.8%</u>

*Underlying result excludes unrealised amounts arising from fair value changes on forward foreign exchange contracts, share warrant expenses, acquisition and integration costs and other costs which are incurred outside the continuing operations of the Company.

Technetix Limited

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

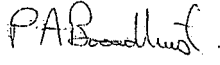
Exceptional costs

The business incurred exceptional costs of £482k (2020: £447k). These costs principally relate to the resolution of the legal dispute on the former facilities occupied by the business. This matter is now closed. Prior year exceptional costs principally related to legal costs in pursuing competitor IP infringement cases and employee restructuring costs.

Principal risks and uncertainties

Risks, including financial risks, are managed at a Group level rather than at an individual Company level. For this reason, the Company's Directors believe that a discussion of the Group's risks would be appropriate for an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of the Group, which include those of the Company, are discussed in the Directors' report of the Technetix Group Limited annual report which does not form part of this report.

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



.....
Mr P A Broadhurst
Director

Technetix Limited

Directors' Report for the Year Ended 31 December 2021

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

Directors' of the company

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

Mr P A Broadhurst

Mr A J Kellett (resigned 9 February 2022)

The following director was appointed after the year end:

Mr R Bell (appointed 9 February 2022)

Principal activity

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

Charitable donations

During the year the Company made charitable donations of £15,200 (2020: £15,751). Individual donations were:

	£
Chestnut Tree House	13,950
Crawley RFC	1,000
Other	250
	15,200

Research and development

In 2021 the Company expensed £917k of research and development costs (2020: £1,109k).

The business continued to invest in R&D as we targeted the development of key product technology solutions.

Financial instruments

Objectives and policies

The Company'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 Company, 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) Foreign exchange rate risk

The Company is exposed to foreign exchange risk due to the majority of stock being purchased in USD and the majority of sales being in EUR. The Company has managed this risk by hedging a proportion of future USD purchases and EUR sales. The Company has also worked with key customers to include currency adjustment clauses on pricing to give some protection from adverse currency movements.

(ii) Commodity price risk

The Company is also exposed to commodity price movements on the key components for products. These are not hedged but the exposure has been reduced by pricing clauses with some key customers.

(iii) Credit risk

The Company 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.

(iv) Liquidity risk

The Company prepares detailed cash flow forecasts to ensure that cash flow is actively managed to reduce liquidity risk.

Technetix Limited

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

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Company has access to a broad range of expertise within the business and as a consequence believes that it is well placed to manage its risks successfully.

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

Having assessed current trading; the strength of customer and supplier relationships; the current order book and the banking facilities available to the Group, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Streamlined Energy and Carbon Reporting (SECR)

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

Intensity measurement

The chosen intensity measurement ratio is Tonnes Co_{2e} per FTE, the recommended ratio for the sector.

Measures taken to improve energy efficiency

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

UK Energy and Carbon Use

	2021	2020
Energy consumption used to calculate emissions (kWh)		
Energy consumption	<u>163,773</u>	<u>180,025</u>
Emissions in metric tonnes (CO_{2e})		
Electricity consumption	33,056	39,053
Fuels	1,159	1,268
Business mileage	<u>444</u>	<u>1,637</u>
Total gross emissions in metric tonnes CO _{2e}	<u>34,659</u>	<u>41,958</u>
Intensity ratio		
Tonnes CO _{2e} per FTE	<u>943</u>	<u>1,020</u>

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 Limited

Directors' Report for the Year Ended 31 December 2021 (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 Limited consider, both individually and together, that they have acted in the way they consider in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2021 and in creating future business plans ('our plans'):

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

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

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

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

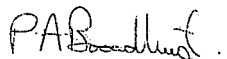
(e) As the Board of Directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours and in doing so, will contribute to the delivery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

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

Disclosure of information to the auditors

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 Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

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



.....
Mr P A Broadhurst
Director

Technetix 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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 Limited

Opinion

We have audited the financial statements of Technetix Limited (the 'Company') for the year ended 31 December 2021, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 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.

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 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 company to cease to continue as a going concern.

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

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

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

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

Other information

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

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

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

We have nothing to report in this regard.

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

Opinion on other matters prescribed by the Companies Act 2006

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

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

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

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

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

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

Responsibilities of Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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

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

- The Company is subject to many laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. We identified the following laws and regulations as the most likely to have a material effect if non-compliance were to occur; financial reporting legislation, distributable profits legislation, tax legislation, anti-bribery legislation and employment law.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- We understood how the Company is complying with those legal and regulatory frameworks by making enquiries of management and those responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes and correspondence received from regulatory bodies.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur, by making enquires of management and those charged with governance. We utilised internal and external information to corroborate these enquiries and to perform a fraud risk assessment for the Company as a whole. We considered the risk of fraud to be higher through the potential for management override of controls.
- Audit procedures performed by the engagement team included:
 - evaluation of the programmes and controls established to address the risks related to irregularities and fraud;
 - testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions; and
 - identifying and testing related party transactions
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the industry in which the client operates
 - understanding of the legal and regulatory requirements specific to the Company

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

Independent Auditor's Report to the Members of Technetix 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

4 March 2022

Technetix Limited

Statement of Comprehensive Income for the Year Ended 31 December 2021

		31 December 2021 Before Exceptional Costs £ 000	31 December 2021 Exceptional Costs (Note 5) £ 000	31 December 2021 Total £ 000	31 December 2020 Total £ 000
	Note				
Turnover	4	57,230	-	57,230	62,558
Cost of sales		<u>(48,292)</u>	<u>-</u>	<u>(48,292)</u>	<u>(54,081)</u>
Gross profit		8,938	-	8,938	8,477
Administrative expenses		<u>(6,753)</u>	<u>(482)</u>	<u>(7,235)</u>	<u>(7,994)</u>
Operating profit	5	2,185	(482)	1,703	483
Interest payable and similar charges	6	<u>(731)</u>	<u>-</u>	<u>(731)</u>	<u>(764)</u>
Profit/(Loss) before tax		1,454	(482)	972	(281)
Tax on profit/(loss) on ordinary activities	10	<u>(149)</u>	<u>-</u>	<u>(149)</u>	<u>43</u>
Profit/(Loss) for the year		<u>1,305</u>	<u>(482)</u>	<u>823</u>	<u>(238)</u>

The above results were derived from continuing operations with no items of other comprehensive income in the current or prior year.

Technetix Limited

(Registration number: 02484988)

Statement of Financial Position as at 31 December 2021

	Note	31 December 2021 £ 000	31 December 2020 £ 000
Assets			
Non-current assets			
Property, plant and equipment	11	772	596
Right of use assets	12	1,663	1,795
Intangible assets	13	55	152
Deferred tax assets	10	415	541
		2,905	3,084
Current assets			
Inventories	14	10,023	9,884
Trade and other receivables	15	19,705	19,211
Income tax asset		84	46
Cash and cash equivalents	16	16,021	16,456
		45,833	45,597
Total assets		48,738	48,681
Equity and liabilities			
Equity			
Called up share capital	20	52	52
Profit and loss account		2,480	1,657
		2,532	1,709
Non-current liabilities			
Long term lease liabilities	18	1,764	1,847
Current liabilities			
Trade and other payables	17	44,156	44,881
Deferred income		17	10
Current portion of long term lease liabilities	18	269	234
		44,442	45,125
Total liabilities		46,206	46,972
Total equity and liabilities		48,738	48,681

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



Mr P A Broadhurst
Director

Technetix Limited

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

At 1 January 2021	Share capital £ 000	Retained earnings £ 000	Total £ 000
Profit for the year	52	1,657	1,709
Total comprehensive income	-	823	823
At 31 December 2021	52	2,480	2,532

At 1 January 2020	Share capital £ 000	Capital redemption reserve £ 000	Shared based payment reserve £ 000	Retained earnings £ 000	Total £ 000
Loss for the year	52	1	14	1,880	1,947
Total comprehensive income	-	-	-	(238)	(238)
Other capital redemption reserve movements	-	(1)	(14)	15	-
At 31 December 2020	52	-	-	1,657	1,709

Technetix Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

1 General information

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

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

These financial statements were authorised for issue by the Board on 4 March 2022.

2 Accounting policies

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.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial assets and financial liabilities at fair value through the Statement of Comprehensive Income, and in accordance with the Companies Act 2006.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU, amended where necessary in order to comply with Companies Act 2006.

Summary of disclosure exemptions

- Cash flow statement and related notes;
- Comparative period reconciliations for fixed assets and share capital;
- Share based payment arrangements and related disclosures;
- Requirements to disclose information relating to the Company's objectives, policies and processes for managing capital;
- Related party disclosures in respect of transactions with wholly owned subsidiaries within the Group;
- Requirements to disclose compensation for key management;
- Disclosure of the categories of financial instrument and nature and extent of risks arising on these financial instruments, in accordance with IFRS 7, "Financial Instruments: Disclosures"; and
- Requirements to disclose the future impact of a new IFRS in issue but not effective at the reporting date.

Technetix Limited

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

2 Accounting policies (continued)

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Company has access to a broad range of expertise within the business and as a consequence believes that it is well placed to manage its risks successfully.

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

Having assessed current trading; the strength of customer and supplier relationships; the current order book and the banking facilities available to the Group, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for at least 12 months from the date of signing these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Revenue recognition

Recognition

The Company earns revenue from the sale of proprietary mission critical network technology to major broadband, cable, fibre and telecommunications operators worldwide. This revenue is recognised in the accounting period when control of the product has been transferred, being when goods are delivered to the customer, at an amount that reflects the consideration to which the Company 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.

Foreign currency transactions and balances

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The Financial Statements are presented in 'Pounds Sterling' (£), which is also the Company's functional currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income statement within administrative expenses.

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.

Technetix Limited

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

2 Accounting policies (continued)

Intangible assets

Software costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years. The amortisation charge is recognised within administrative expenses in the Statement of Comprehensive Income.

Amortisation

Asset class	Amortisation method and rate
Software	33.33% on cost

Tangible assets

All tangible assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in the Statement of Comprehensive income.

Technetix Limited

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

2 Accounting policies (continued)

Depreciation

Depreciation is calculated using the straight-line method to allocate their cost amounts to their residual values over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold Improvements	over the term of the lease
Plant and Machinery	2 - 10 years on cost

Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

Stock

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in the Statement of Comprehensive Income.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade debtors

Trade receivables are amounts due from customers for goods sold in the ordinary course of business.

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

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Profit and loss account

The profit and loss account represents the cumulative profit and losses net of dividends and other adjustments.

Dividends

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's Financial Statements in the period in which the dividends are approved by the Company's Shareholders.

Technetix Limited

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

2 Accounting policies (continued)

Leases

Initial recognition and measurement

The Company 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. Present value has been assessed using an incremental borrowing rate (in the absence of an implicit interest rate in the lease agreement). 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 Company's initial direct costs and an estimate of restoration, removal and dismantling costs.

Subsequent measurement

After the commencement date, the Company 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 Statement of Comprehensive Income.

Variable lease payments not included in the measurement of the lease liability, are included in operating expenses in the period in which the event or condition that triggers them arises.

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 Company 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 Company 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 Statement of Comprehensive Income.

Technetix Limited

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

2 Accounting policies (continued)

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the Statement of Financial Position date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax assets are recognised only 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 recognised on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. 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 released or the deferred income tax liabilities is settled.

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 same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Defined contribution pension

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.

Share based payments

The Group operates an equity-settled, share-based compensation plan, under which the Company participates. The Company receives services from employees as consideration for equity instruments (options) of the ultimate parent Company, Technetix Group Limited. The awards are granted by the parent and the Company has no obligation to settle the awards and as such no provision has been recognised in these financial statements.

Warrants

The parent Company (Technetix Group Limited) has a Warrant Agreement with a single customer in which they may purchase ordinary shares in Technetix Group Limited. The warrants will vest in tranches based on the level of purchases by the customer over an agreed period, whilst the total number of warrants available is capped. The warrants are initially recognised under IFRS 15, whereby the estimated fair value of the warrants is recorded as a reduction to net sales in the subsidiary companies in which the sales have occurred, based on the projected number of warrants to vest when achievement of the related performance criteria is considered probable in any period. The warrants are recognised as a financial liability within the balance sheet and subsequent changes to the fair market value of the warrants which have vested are recognised under IFRS 9 at each balance sheet date and are recorded within finance income or expense. The fair value of the warrants is determined using the Black-Scholes option pricing model. The assumptions utilised in the Black-Scholes model include the risk-free interest rate, expected volatility, and expected life.

Technetix Limited

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

2 Accounting policies (continued)

Financial instruments

Initial recognition

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

The Company recognises financial assets and financial liabilities in the Statement of Financial Position when, and only when, the Company becomes party to the contractual provisions of the financial instrument. These instruments are initially recognised at fair value.

Classification and measurement

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 Company 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 Company 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 Company 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 Company 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 Company 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.

Technetix Limited

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

2 Accounting policies (continued)

Financial liabilities

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

Impairment of financial assets

Measurement of Expected Credit Losses

The Company 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 Company 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 business 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 Company'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 Company 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 Limited

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

3 Critical accounting judgements and key sources of estimation uncertainty

In applying the Company'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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Critical accounting judgements

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

Key sources of estimation uncertainty

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

Inventory Provision

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

4 Turnover

The analysis of the Company's turnover for the year from continuing operations is as follows:

	31 December	31 December
	2021	2020
	£ 000	£ 000
Sale of goods	57,230	62,558

The analysis of the Company's turnover for the year by market is as follows:

	31 December	31 December
	2021	2020
	£ 000	£ 000
Europe, Including UK	51,841	59,888
Rest of World	5,389	2,670
	57,230	62,558

Technetix Limited

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

5 Operating profit

Arrived at after charging/(crediting)

	31 December	31 December
	2021	2020
	£ 000	£ 000
Depreciation expense	384	355
Depreciation on right of use assets - Property	289	218
Depreciation on right of use assets - Vehicles	5	3
Amortisation expense	110	209
Research and development cost	917	1,109
Fair value gains on forward foreign exchange contracts	(785)	(32)
Loss on disposal of property, plant and equipment	14	1
Expense on low value leases	14	10
Exceptional costs		
Exceptional costs	<u>482</u>	<u>447</u>

Exceptional costs principally relate to the legal costs of the dilapidations claim from the previous offices which has now been settled. Prior year exceptional costs principally related to the ongoing legal costs of the dilapidations claim (now resolved) and employee restructuring costs. The exceptional costs reduced the corporation tax charge for the year by £91k (2020: £85k).

6 Interest payable and similar charges

	31 December	31 December
	2021	2020
	£ 000	£ 000
Interest on bank overdrafts and borrowings	42	27
Interest expense on other financing liabilities	369	538
Interest paid to group undertakings	86	90
Other finance costs	94	-
Interest expense on leases - Vehicles	1	-
Interest expense on leases - Property	<u>139</u>	<u>109</u>
	<u>731</u>	<u>764</u>

7 Staff costs

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

	31 December	31 December
	2021	2020
	£ 000	£ 000
Wages and salaries	3,437	3,554
Social security costs	438	414
Pension costs, defined contribution scheme	<u>87</u>	<u>99</u>
	<u>3,962</u>	<u>4,067</u>

Technetix Limited

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

7 Staff costs (continued)

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

	31 December 2021 No.	31 December 2020 No.
Production	4	4
Office, management and warehouse	47	49
	<u>51</u>	<u>53</u>

8 Directors' remuneration

The Directors' remuneration for the year was as follows:

	31 December 2021 £ 000	31 December 2020 £ 000
Remuneration	1,074	801
Contributions to pension funds	37	35
	<u>1,111</u>	<u>836</u>

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

	31 December 2021 No.	31 December 2020 No.
Contribution towards personal pension schemes	<u>2</u>	<u>2</u>

In respect of the highest paid Director:

	31 December 2021 £ 000	31 December 2020 £ 000
Remuneration	719	524
Contribution to pension funds	24	22
	<u>743</u>	<u>546</u>

The Directors of the Company are also Directors of the holding Company and fellow subsidiaries. The Directors received total remuneration in respect of qualifying services for the year of £1,111k (2020: £836k). All of which was paid by the Company. The Directors do not believe that it is practicable to apportion this amount between their qualifying services as Directors of the Company and their qualifying services as Directors of the holding and fellow subsidiary Companies.

9 Auditors' remuneration

	31 December 2021 £ 000	31 December 2020 £ 000
Audit of the financial statements	<u>49</u>	<u>47</u>

Technetix Limited

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

10 Income tax

Tax charged/(credited) in the statement of comprehensive income

	31 December 2021 £ 000	31 December 2020 £ 000
Current taxation		
UK corporation tax	22	11
Deferred taxation		
Deferred tax - current year	97	(49)
Deferred tax - prior year	30	(5)
Total deferred taxation	127	(54)
Tax expense/(receipt) in the statement of comprehensive income	149	(43)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2020 - lower than the standard rate of corporation tax in the UK) of 19% (2020: 19%).

The differences are reconciled below:

	31 December 2021 £ 000	31 December 2020 £ 000
Profit/(loss) before tax	972	(281)
Corporation tax at standard rate	185	(54)
Increase in current tax from adjustment for prior periods	(40)	96
(Decrease)/increase from effect of expenses not deductible in determining taxable profit (tax loss)	42	(91)
Tax decrease from utilisation of tax losses	(90)	-
Increase (decrease) from effect of foreign tax rates	13	-
Deferred tax expense from unrecognised temporary difference from a prior period	30	(5)
Increase (decrease) from effect of adjustment in research development tax credit	9	11
Total tax charge/(credit)	149	(43)

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

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.

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

Deferred tax movement during the year:

Technetix Limited

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

10 Income tax (continued)

	At 1 January 2021 £ 000	Recognised in income £ 000	At 31 December 2021 £ 000
Accelerated tax depreciation	(6)	(39)	(45)
Tax losses carry-forwards	547	(87)	460
Provisions	-	-	-
Net tax assets/(liabilities)	<u>541</u>	<u>(127)</u>	<u>415</u>

11 Property, plant and equipment

	Leasehold Improvements £ 000	Plant and machinery £ 000	Total £ 000
Cost or valuation			
At 1 January 2021	94	2,934	3,028
Additions	-	574	574
Disposals	-	(348)	(348)
At 31 December 2021	<u>94</u>	<u>3,160</u>	<u>3,254</u>
Depreciation			
At 1 January 2021	65	2,367	2,432
Charge for the year	7	377	384
Eliminated on disposal	-	(334)	(334)
At 31 December 2021	<u>72</u>	<u>2,410</u>	<u>2,482</u>
Carrying amount			
At 31 December 2021	<u>22</u>	<u>750</u>	<u>772</u>
At 31 December 2020	<u>29</u>	<u>567</u>	<u>596</u>

Technetix Limited

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

12 Right of use assets

	Property £ 000	Vehicles £ 000	Total £ 000
Cost or valuation			
At 1 January 2021	2,469	15	2,484
Additions	<u>151</u>	<u>11</u>	<u>162</u>
At 31 December 2021	<u>2,620</u>	<u>26</u>	<u>2,646</u>
Depreciation			
At 1 January 2021	689	-	689
Charge for the year	<u>289</u>	<u>5</u>	<u>294</u>
At 31 December 2021	<u>978</u>	<u>5</u>	<u>983</u>
Carrying amount			
At 31 December 2021	<u>1,642</u>	<u>21</u>	<u>1,663</u>
At 31 December 2020	<u>1,780</u>	<u>15</u>	<u>1,795</u>

13 Intangible assets

	Software £ 000	Total £ 000
Cost or valuation		
At 1 January 2021	1,277	1,277
Additions	<u>13</u>	<u>13</u>
At 31 December 2021	<u>1,290</u>	<u>1,290</u>
Amortisation		
At 1 January 2021	1,125	1,125
Amortisation charge	<u>110</u>	<u>110</u>
At 31 December 2021	<u>1,235</u>	<u>1,235</u>
Carrying amount		
At 31 December 2021	<u>55</u>	<u>55</u>
At 31 December 2020	<u>152</u>	<u>152</u>

Technetix Limited

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

14 Stock

	31 December	31 December
	2021	2020
	£ 000	£ 000
Finished goods and goods for resale	6,152	5,470
Goods In Transit	3,871	4,414
	<u>10,023</u>	<u>9,884</u>

The stock provision at 31 December 2021 was £331k (2020: £304k).

There is no significant difference between the replacement cost of work in progress and finished goods and goods for resale and their carrying amounts.

15 Trade and other debtors

	31 December	31 December
	2021	2020
	£ 000	£ 000
Trade debtors	2,488	1,781
Debtors from Group undertakings	16,884	16,947
Prepayments	143	483
Derivative financial instruments	190	-
	<u>19,705</u>	<u>19,211</u>
Less non-current portion	<u>(15,685)</u>	<u>(15,489)</u>
	<u>4,020</u>	<u>3,722</u>

Details of non-current trade and other debtors

£15,685k (2020: £15,489k) of Debtors from Group Undertakings is classified as non current. These balances are not expected to be repaid within 12 months.

16 Cash and cash equivalents

	31 December	31 December
	2021	2020
	£ 000	£ 000
Cash on hand	5	5
Cash at bank	16,016	16,451
	<u>16,021</u>	<u>16,456</u>

Technetix Limited

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

17 Trade and other creditors

	31 December 2021 £ 000	31 December 2020 £ 000
Trade creditors	25,334	25,632
Accrued expenses	1,491	1,303
Amounts due to Group undertakings	16,803	15,966
Social security and other taxes	528	1,384
Derivative financial instruments	-	596
	<u>44,156</u>	<u>44,881</u>

18 Leases

Leases included in creditors

	31 December 2021 £ 000	31 December 2020 £ 000
Current portion of long term lease liabilities	269	234
Long term lease liabilities	<u>1,764</u>	<u>1,847</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 2021 £ 000	31 December 2020 £ 000
Less than one year	380	355
2 years	363	355
3 years	276	338
4 years	269	251
5 years	265	244
6 years	265	240
7 years	265	240
8 years	265	240
9 years	110	240
10 years	-	100
Total lease liabilities (undiscounted)	<u>2,458</u>	<u>2,603</u>

Technetix Limited

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

18 Leases (continued)

Total cash outflows related to leases

Total cash outflows related to leases are presented in the table below:

	31 December	31 December
	2021	2020
	£ 000	£ 000
Payment		
Right of use assets	210	227
Interest	113	109
Low value leases	14	10
Total cash outflow	337	346

Incremental borrowing rate

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

Property leases

In order to determine the IBR, the Company has assumed a benchmark rates specific to the region which shows a baseline borrowing rate of between 4.8% and 8.7%. The Company has elected to apply the rate of 5% to reflect the long nature of the lease (to 2030) in the UK and 9.7% Ireland. The higher rates were also chosen to factor in uncertainty within the UK due to 'Brexit' and also the COVID-19 pandemic.

Vehicle leases

In order to determine the IBR, the Company has assumed a benchmark rate based on the borrowing rate of comparable loans of 7.9%.

19 Warrants

In July 2016 the Company 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 Company within 5 years of the Warrant Agreement effective date (initially 3 years and extended in 2019 and 2020 each for a further 12 month period) and are exercisable within 7 years of each warrant grant date. The final measurement date for each warrant is the date on which that warrant vests. Prior to the final measurement, when achievement of the performance criteria has been deemed probable, the estimated fair value of the warrants are initially recorded as a reduction to net sales based on the projected number of warrants expected to vest, the proportion of purchases by Liberty Global within the period relative to the aggregate purchase levels required for the warrants to vest and the then-current fair value of the related warrants. Changes in the fair market value of the financial liability relating to the warrants at each balance sheet date are recorded within finance income or expense. During the year Liberty Global earned the maximum number of warrants. At present no exercise of the right to purchase 43,500 shares has been made.

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

The Company has recognised £55k as a reduction to net sales in connection with these warrants in 2021 (2020: £83k)

Technetix Limited

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

20 Share capital

Allotted, called up and fully paid shares

	31 December 2021		31 December 2020	
	No. 000	£ 000	No. 000	£ 000
Ordinary Shares of £1 each	26	26	26	26
Ordinary Shares A of £1 each	26	26	26	26
	<u>52</u>	<u>52</u>	<u>52</u>	<u>52</u>

Authorised shares

	31 December 2021		31 December 2020	
	No. 000	£ 000	No. 000	£ 000
Ordinary Shares of £1 each	74	74	74	74
Ordinary Shares A of £1 each	26	26	26	26
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

Rights, preferences and restrictions

Ordinary Shares A have the following rights, preferences and restrictions:

No voting or dividend rights

21 Contingent liabilities

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

22 Parent and ultimate parent undertaking

The Company's immediate parent is Technetix Group Limited. These financial statements are available upon request from Innovation House, Technetix Business Park, Muddleswood Road, Albourne, Hassocks, West Sussex, BN6 9EB. Technetix Group Ltd is both the largest and smallest group in which the results of Technetix Ltd are consolidated.

The ultimate controlling party is Mr P A Broadhurst.