24 May 2022

Calnex Solutions plc

("Calnex", the "Company" or the "Group")

FY22 Final Results

Calnex Solutions plc (AIM: CLX) provides test and measurement solutions for the global telecommunications sector and is pleased to announce its audited results for the 12 months ended 31 March 2022 ("FY22" or the "Year").

Financial Highlights

£000	**FY22** **Audited**	**FY21** **Audited**	**YOY % change**
Revenue	**22,046**	**17,978**	**23%**
Underlying EBITDA[1]	**6,351**	**5,496**	**16%**
Adjusted profit before tax[1]	**5,973**	**5,068**	**18%**
Adjusted basic EPS (pence) [1,2]	**5.19**	**5.83**	**(11%)**
Adjusted diluted EPS (pence) [1,2]	**5.00**	**5.21**	**(4%)**
Closing cash and fixed term deposits [3]	**15,357**	**12,668**	**21%**
Statutory measures [4]*:*			
Profit before tax	**5,973**	**3,647**	**64%**
Basic EPS (pence)	**5.19**	**4.68**	**11%**
Diluted EPS (pence)	**5.00**	**4.18**	**20%**

- Revenue growth of 23% to £22.0m (FY21: £18.0m) as a result of robust trading performance, reflecting continued high demand for our range of test and measurement solutions.
- Growth in adjusted profit before tax of 18% to £6.0m (FY21: £5.1m).
- Closing cash position, including fixed term deposits, of £15.4m (31 March 2021: £12.7m).
- Proposed final dividend of 0.56 pence per share, making a total of 0.84 pence per share for FY22.

Operational Highlights

- Strong demand for test instrumentation, with new product launches in FY22 well received by customers.
- Core business supplemented by expansion into O-RAN testing for 5G standards and data centre engagements which continue to drive the requirement for performance testing.
- Increased staffing levels across business development, sales, R&D and support roles, to support growing customer demand, new product development and maximise exposure in new and existing territories.
- Maintained timely shipments to customers, whilst continuing to navigate the semiconductor component shortage.

Post Period End Highlights

- Acquisition of iTrinegy Limited ("iTrinegy") successfully complete in April 2022, a leading developer of Software Defined Test Networks technology for the software application and digital transformation testing market, representing Calnex's move into an attractive new market.
- Awarded two 2022 Queen's Awards for Enterprise: Innovation and International Trade.

Outlook

- The business continues to benefit from the evolutionary trends affecting the telecoms sector, notably in 5G and cloud computing. Demand for test equipment therefore remains strong and Calnex begins FY23 with a record order book.
- The Board remains aware of potential effects of the global semiconductor component shortage on the business, although the Group has successfully navigated the challenges to date.
- As a result of the continued high demand for Calnex's products and services, and the Group's record order book, the Board is confident of achieving another successful year of growth in FY23.

Tommy Cook, Chief Executive Officer and founder of Calnex, said:

"It is with great pride that we are presenting such a strong set of results for Calnex, in what has been a complicated year. To deliver record performance, exceeding market expectations, whilst dealing with the effects of a global pandemic and global semiconductor component shortages, is truly exceptional. The strength and quality of the Calnex team and the relationships we hold has never been more apparent.

The transition to 5G and growth in cloud computing continues to drive demand for test instrumentation and Calnex is in a strong position to continue benefitting from these market trends. We have made good progress in executing on our strategy, paving the way for accelerated future growth. The recent acquisition of iTrinegy represents a move into a new adjacent market and we anticipate accelerated sales in the long-term. Furthermore, we have invested in our team and resources, the continued positive response to the new product launches provides optimism with regards to the long-term demand for our offering.

Whilst looking to the future with a degree of caution given the continuing component shortage situation, we can take confidence from the ability with which we have managed the situation to date, successfully shipping scheduled orders as planned. We move into FY23 with a record order book and look to the future with a strong sense of optimism."

For more information, please contact:

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Overview of Calnex

Calnex Solutions designs, produces and markets test and measurement instrumentation and solutions for the telecoms and cloud computing industries. Calnex's portfolio enables R&D, pre-deployment and in-service testing for network technologies and networked applications, enabling its customers to validate the performance of the critical infrastructure associated with telecoms and cloud computing networks and the applications that run on it.
To date, Calnex has secured and delivered orders to over 680 customer sites in 68 countries across the world. Customers include BT, China Mobile, NTT, Ericsson, Nokia, Intel, Qualcomm, IBM and Meta.
Founded in 2006, Calnex is headquartered in Linlithgow, Scotland, with additional locations in Belfast, Northern Ireland, Stevenage, England and California in the US, supported by sales teams in China and India. Calnex has a global network of partners, providing a worldwide distribution capability.

Chairman's Statement

Overview

I am pleased to report on another year of strategic progress and increased momentum at Calnex. We have experienced a record increase in demand for our range of test and measurement solutions and continued to evolve as a listed business. These successes are testament to the strength of our product offering and the long-standing customer relationships the Group has developed across our key markets. The strong performance, coupled with the Group's focus on innovation and investment in people, has delivered another step forward for Calnex which, alongside a record order book as we enter FY23, points to the Group's ability to deliver significant, sustainable growth over the coming years.

Results

The Group delivered record levels of trading in both halves of the year, successfully fulfilling all scheduled orders to finish the year strongly. This was aided by the introduction of new regulation and standards for the telecoms industry, and the growth in cloud computing, which continued to drive demand for Calnex's products. The management team successfully navigated the challenges of the semiconductor supply chain, reducing its impact on our ability to manufacture and ship products.

The Group delivered revenue growth in FY22 of 23% to £22.0m (FY21: £18.0m) and adjusted profit before tax growth of 18% to £6.0m (FY21: £5.1m) (refer to note 32 for calculation of alternative performance measures), whilst ending the year with a closing cash figure, including fixed term deposits, of £15.4m (FY21: £12.7m).

Acquisition

To realise our ambition to be the leading provider of test and measurement solutions for the global telecommunications sector, part of our strategy includes growth through acquisitions. With a proven track record of identifying and targeting attractive market niches, alongside the successful IPO in October 2020 which provided the Group with the funds to invest, Calnex is well positioned to capitalise on opportunities to acquire new products or technologies which could be enhanced by applying the Company's technical skills, operational capabilities and distribution channels.

We were therefore delighted to announce in April 2022 the acquisition of iTrinegy, a developer of Software Defined Test Networks (SDTN) technology for the software application and digital transformation testing market. This is our first acquisition since IPO and it is expected that iTrinegy will benefit from Calnex's track record in building, supporting and growing a reseller network, particularly into the US, to accelerate sales.

ESG

The attitude of Calnex towards caring for its people and the communities around it has always been a key feature of the business. As part of our journey to continually improve our performance, in a traditionally male dominated industry, we are focused on ensuring a diverse workforce with a good level of female representation on both our Board and executive management team. The Group has successfully utilised its license to hire from overseas this year as part of its recruitment campaign. Bringing people from other countries from different cultures with different life experiences enhances the Group through the blending of varied career experiences into its innovative team.

The environmental impact of our operations are also important considerations. The Board oversees a policy of active awareness of how best to incorporate effective environmental goals into the Group's strategic decisions, operations and supply chain. The Group has set-up an employee-led Social Responsibility team who have a dedicated fund assigned to allow them to provide meaningful support to social and environmental charities and events that are important to its employees. The Board's commitment to assign 1% of profits to this initiative underlines the importance we see in supporting our staff in making meaningful impacts from our business success to projects that our staff care about. As a Board, we are also committed to high standards of corporate governance and oversight. The approach we take is set out in detail in the Principal Risks and Uncertainties, s172 and Corporate Governance sections of this report.

While we have no operations or customers in Russia, the Ukraine or Belarus, we are shocked by the human tragedy that is unfolding and cognisant of the risks it poses to all businesses in the way of increased inflationary pressures. We are confident that we have robust financial management measures in place to protect our operating margins as we progress through FY23.

People

The progress we have made since the IPO is a tribute to Calnex's employees' expertise and knowledge and this has never been more true than during this year. Their energy and commitment to providing leading test and measurement solutions throughout the world, during the pandemic, and the challenging wider macroeconomic environment, has not wavered and I would like to thank all our staff across the globe for their hard work. As we continue to trade well, despite the challenging environment, a key focus for the business remains on ensuring the wellbeing of our employees and providing them with the support required to succeed in their roles at Calnex.

Looking ahead

Calnex has continued to progress against its strategy in FY22. We see the increased demand for our range of test and measurement solutions across all key geographies as a clear demonstration that the business has built the right platform to succeed, even in a challenging macroeconomic environment.

We are proud to have many of the world's leading players in the continually evolving telecoms market as customers. With a proven track record in innovation, an emerging exciting opportunity within cloud computing, continued underlying growth drivers in the telecoms market, an enlarged product offering and a strong order book as we head into FY23, I am confident in Calnex's ability to continue to deliver on its growth strategy and create value for all shareholders.

George Elliott
Non-Executive Chairman
23 May 2022

CEO's Statement and Operational Review

I am pleased to report on another strong set of results for the year ended 31 March 2022. It has been a positive period for the Group in which we have made strong strategic progress as well as experiencing continued high demand for our range of test and measurement solutions, delivering results considerably ahead of our initial expectations for the year.

As I look across the business, it is reassuring to see growth across all our product lines – with no one area driving our performance, but rather a consistent uplift in all areas, which combined, have contributed to the continued successful evolution of Calnex as a public company.

We are pleased to be reporting such a strong performance despite also having to deal with the global components' shortage. Working alongside our contract manufacturer, Kelvinside Electronics, our team have successfully mitigated the shortages to date and shipped all scheduled orders as planned. We continue to monitor the situation closely, implementing new purchasing processes to ensure we can continue to manage these challenges, and I would like to thank both the Calnex and Kelvinside teams for their skill in successfully navigating this dynamic situation thus far. The global component shortage looks likely to continue for much of FY23 and we will continue to work closely with Kelvinside to navigate our way through the challenges until the situation eases.

The Group's performance during the year has been enhanced by the introduction of industry regulation such as the new O-RAN standards that continue to drive the requirement for performance testing, whilst the transition to 5G and growth in cloud computing continue to drive demand from both new and existing customers, across each of our customer categories. We are fortunate to operate in a sector not severely impacted by the consequences of dealing with the COVID-19 pandemic, which, if anything, has highlighted the need for robust, fast broadband and resilient telecoms networks and infrastructure.

Calnex's record order book as we head into FY23 provides confidence in our ability to deliver significant, sustainable growth over the coming years. Whilst bringing only modest increases to revenue and profit in FY23, the acquisition of iTrinegy is anticipated to be an important contributor to Calnex profit in future years, further underpinning the sense of Group wide optimism moving forwards.

Customer metrics

We were pleased to have seen consistency in our customer metrics in the year. The number of customers who ordered from us this year increased by 34 to 233 (FY21: 199 customers), our top 10 customers accounted for 53% of orders (FY21: 46%), 79% of our orders in the year were from repeat customers (FY21 80%) and alongside growth in our telecoms orders we maintained the proportion of orders coming from non-telecoms customers at 23% (FY21: 23%). Our geographic spread of orders across the regions show Americas and ROW each receiving 35% of orders and North Asia receiving 30%, over a 3 year average basis.

Transition to 5G and growth in Cloud Computing

The transition to 5G and the growth in cloud computing continue to drive demand for test instrumentation, from both new and existing customers, across each of the Group's customer categories. The requirement for design validation, and conformance and maintenance testing is more prevalent than ever as new standards and technology movements drive the need for network operators, equipment and component vendors plus hyperscale/enterprise customers to validate equipment and network performance.

In the build out of the mobile network, referred to as "5G", the interest in vendors producing equipment conforming to the O-RAN recommendations has grown significantly over the period, opening opportunities for Calnex to engage with new customers. The growth in data centres continues with a recent report suggesting there are already over 8,000 data centres across the world, with the US hosting the largest share. Along with UK, Germany and China, these four countries host around 50% of all Data Centres[7]. Such evolutionary trends have the potential to bring significant change to the telecoms sector and underpin the Group's confidence in making further progress during the current financial year and beyond.

Product innovation to support the transition to 5G and growth in cloud computing

Continued product innovation has allowed the Group to execute on its growth strategy to capitalise on the transition to 5G and expand into adjacent markets, such as cloud computing and the data centre market.

Lab Synchronisation (Paragon-Neo)

The introduction of support for very high-speed interfaces (up to 400Gb/s) as well as the various interface formats used in very high-speed interfaces (e.g. PAM4) has had the expected positive impact on customer engagement and sales. The other dynamic that resulted in growth in this product family was the demand from companies looking to build equipment that conforms to the recommendations produced by the O-RAN Alliance. This demand came from both established customers looking to verify existing equipment or develop new equipment that will be sold as compliant to the O-RAN recommendations, and new customers seeking to establish a presence in the market.

Network Synchronisation (Sentinel & Sentry)

The release in June 2021 of the new 5G OTA (Over-the-air) capability in Sentinel, Calnex's Field Sync solution, has resulted in significant interest from potential customers. This second-generation OTA implementation not only addresses 3G, 4G and the emerging 5G signal formats, but also offers an enhancement feature set in all formats to expand the insight it provides to operation.

In addition, the implementation of time distribution across data centres is creating a secondary market for testing of time distribution accuracy inside data centres. Sales to hyperscale customers who are investing in their data centre operations are progressing well, and Calnex has already received a considerable order for delivery in FY23, which we will look to replicate across other hyperscale customers in the future. To align the product portfolio with this emerging opportunity, a new version of our Network Synchronisation Product, Sentry, will be released early in FY23. The product will heavily leverage the technology in Sentinel but with a form, fit and function optimised for the data centre environment. This new format will enhance the ability to engage with potential data centre customers by strengthening its usability in the data centre environment.

Growth in the primary market and increasing penetration of the emerging market has enabled Calnex to perform ahead of the Board's initial expectations for FY22, with a positive outlook moving forward.

Cloud & IT, Infrastructure Verification (SNE & Attero)

Calnex's Network Emulation products, which target customers developing Infrastructure products (e.g. Ethernet switches, routers, SD-WAN equipment), continued to make good progress this year. O-RAN, mentioned earlier in connection with the Lab Sync products, has also impacted positively on this product line. The O-RAN Alliance provides a number of recommendations for equipment deployed in the RAN network. Synchronisation is only one element of the functionality specified. Calnex's SNE and Attero products are being utilised to verify performance to other aspects of these recommendations.

This year, the Group expanded its portfolio by releasing a new Virtual SNE (network emulation) product, targeting engineering teams developing infrastructure products for deployment in networks hosted in cloud computing environments. While demand is at early stage, the value is in the strategic positioning of the portfolio to track this trend as and when it grows momentum.

Cloud & IT, Applications Verification (iTrinegy acquisition)

In April 2022, we completed the acquisition of iTrinegy Limited, a leading developer of Software Defined Test Networks technology for the software application and digital transformation testing market. NE-ONE hardware and software-based Network Emulation platforms provide organisations, primarily across the technology, financial, gaming and military / government sectors, with the ability to accurately recreate complex, real-world network test environments in which to analyse and verify the performance of applications, before deployment.

[7] *Data Centres Around the World: A Quick Look", United States International Trade Commission*, May 2021

The acquisition of the NE-ONE Network Emulation platform enhances Calnex's positioning as both the leading Synchronisation Verification test vendor, and the only company with a broad range of Network Emulation tools that provide an unparalleled range of Network Emulation solutions for a wide range of customers and customer needs. The acquisition of iTrinegy is consistent with our strategy to address a new customer base and move to open a new market. iTrinegy is being acquired on a debt free, cash free basis and we plan to invest for growth in the business. The focus to date has been to integrate iTrinegy's team into Calnex and provide support to the new team members, whilst ensuring that iTrinegy is aligned with Calnex's growth aspirations.

Financial performance

Calnex experienced another year of strong trading. The 23% growth in revenue to £22.0m (FY21: £18.0m) is a result of the continued strong demand for telecoms testing equipment across the Group's core markets. Revenues from the Americas region increased 23%, whilst the Rest of the World experienced a 31% uplift. North Asia revenues grew by 14% after a flat first half due in part to the ongoing geopolitical tensions between the US and China. Given the overall growth in revenues, Americas account for 32% of total revenues (FY21: 32%), ROW 37% (FY21: 35%) and North Asia 31% (FY21: 33%).

The Group's adjusted profit before tax grew by 18% to £6.0m (FY21: £5.1m), ahead of the Board's initial expectations, reflecting the uplift in revenues and the Group's on-going investment in the business. This year saw the Group invest in additional business development resources, placing more sales personnel in regions that are experiencing strong growth, such as the US and India, as well as adding to the operational teams to support growth. The Group ended the year with a healthy closing cash position, including fixed term deposits, of £15.4m (31 March 2021: £12.7m).

Operations

We have an ethos of continuous improvement, actively seeking to enhance our performance, improve efficiencies and deliver at scale. In recent years, we went through a significant evolution of our ISO 9001 certified Quality Management System to utilise a more systematic auditing approach to promote continuous improvement. Last year, these changes were 'institutionalised' into the organisation to make them a regular part of the way we manage, assess and enhance the way we operate across the business. As the organisation grows, we plan to regularly assess our structure to review the roles and responsibility of each staff member to identify where growth has resulted in the need for new full-time roles that previously were part of someone's responsibility. The management team hold quarterly meetings to discuss organisational effectiveness to identify where growth is leading to change, and ensure these changes are implemented in order to maintain performance.

People

We continue to invest in talent globally, to support and enhance the fantastic work of our team, whose commitment continues to drive the business forward. Such investment in talent, particularly within the R&D division, is part of the Group's on-going growth strategy and will continue to be a big part of our investment over the coming period. We have hired 19 new staff over the last 12 months, bringing our total headcount to 123 at the year end, which has subsequently increased to 136 at the date of this report, following the acquisition of iTrinegy. The recruitment market remains challenging with many companies seeking to hire; however, at present Calnex is able to attract talented people. The Group is also utilising its overseas sponsor license to hire from outside of the UK to strengthen and diversify its teams.

In August 2021, we recruited a new Vice President of Operations who is tasked with advancing Calnex's internal order fulfilment capabilities. These activities will enhance processes and procedures to ensure the Group's manufacturing capacity continues to evolve in a sustainable way. The ongoing challenges created by component shortages have reinforced the value of the new approaches being put in place to increase our resilience to handle growth, month-to-month variation in specific product demand and handle the challenges of sourcing components in a dynamic environment. Such investment is aligned with our growth strategy, and we expect this to continue in the coming period as we scale the business.

We have also recently engaged an experienced executive with significant sector experience to join our management team to assist with our strategic development, and we expect this appointment will enable us to accelerate our investigations into possible additional acquisition and strategic partnership opportunities.

Our staff have returned to the office under a hybrid model and our experiences from the enforced lockdowns have allowed us to enhance our working environment for all. Whilst travel costs associated with customer site visits have remained low during the year, the sales team are slowly starting to hold face-to-face customer interaction again. We expect the volume of travel to ramp up through the year as each region/country opens up post COVID restrictions.

Suppliers & partners

Calnex has two key partnerships, namely with our contract manufacturer, Kelvinside Electronics, and with Spirent Communications plc, providing a sales channel for a significant proportion of our sales. In both cases, the relationships are long established (with Kelvinside since 2007 and Spirent since 2013) and mutually beneficial. We continue to work collaboratively with our partners to identify areas for improvement, understanding there are always opportunities to execute better to the mutual benefit of both parties. For example, the most recent focus in Kelvinside/Calnex management discussions has been to enhance the way we forecast build quantities and enhance inventory management approaches to increase robustness against potential changes in component lead times.

Community & environment

For a number of years, Calnex has had an active Social Responsibility program, assigning a quarterly budget to charitable donations, organising fund raising events and time off work for employees to participate in community projects. The Board have agreed to increase the funding in FY23 onwards, to strengthen and solidify our commitment to social, charitable and environment projects that are important to our employees. “Make a meaningful contribution” is at the core of the ethos. The Board has committed to assigning to the fund the equivalent of 1% of the profits we generate, which will be at the disposal of an employee-led group. “Meaningful” can mean matched funding to funds raised by employees and/or employees’ families to make more significant donations to charity or environmental projects to which our employees have a connection. 1% of Calnex profits will not change the world, but it is a substantial amount that can be used to make a meaningful impact on community groups and charities that have relevance in our employees’ lives, enabling our employees to contribute to their communities through their work at Calnex.

Outlook

The transition to 5G and growth in cloud computing continues to drive demand for test instrumentation and Calnex is in a strong position to continue benefitting from these market trends. We have made good progress in executing on our strategy, paving the way for accelerated future growth. The recent acquisition of iTrinegy represents a move into a new adjacent market and we anticipate accelerated sales in the long-term. Furthermore, we have invested in our team and resources, the continued positive response to the new product launches provides optimism with regards to the long-term demand for our offering.

Whilst looking to the future with a degree of caution given the continuing component shortage situation, we can take confidence from the ability with which we have managed the situation to date, successfully shipping scheduled orders as planned. We move into FY23 with a record order book and look to the future with a strong sense of optimism.

Tommy Cook
Chief Executive Officer
23 May 2022

ESG

Being responsible at Calnex

Calnex is a “people first” company built on trust and respect. Not only for each other but also for the environment and for the local communities of our employees across the globe, where we do whatever we can to make a meaningful impact.

Calnex is an innovative and forward-thinking business where our employees are encouraged to share their views, contribute to decision making, challenge behaviours and improve our processes to make a positive contribution to business success. This is reflected in the approach we take to delivering leading-edge test and measurement solutions for 5G networking and wireless technologies.

Our focus is increasingly on delivering platform products that enable software upgrades in line with customers’ aspirations. We can’t ***control*** how our customers use our products but we can ***influence*** how they benefit from additional functionality without the need for additional hardware. Thanks to the skills of our team, our in-depth knowledge, and market insight, our customers enjoy hardware longevity typically between 15 and 20 years.

Our software-first approach significantly reduces the impact our products have on the environment by building in best-in-class longevity and providing long-term expert support through cutting-edge upgrades that anticipate customer requirements.

Although already a low environmental impact business, the senior management team, and our staff, are keen to do more to tackle the environmental challenges facing the planet so we've launched an initiative to become an ISO14001 certified business by 2023 and established an employee-led environmental, social & charity team.

Starting this year, the Board has committed to build a Social Responsibility fund into our Financial Plan equal to 1% of the profits we generate. An employee-led team (with senior management sponsorship) will consider proposals from employees for donations or support for groups and/or events that matter to them. The Calnex Executive team want to support groups local to our employees and offices and empower our employees to make a difference in their community by directing their employer to support activities/groups that they truly care about.

We also encourage employees to donate their time to make meaningful contributions. Group activities such as planting trees, re-planting local flower beds, helping out at food banks, etc., are beneficial in so many ways. Beyond the obvious benefit of the primary task and the psychological benefit from making a positive contribution, we recognise how significantly such activities boost team spirit and engender pride in being associated with a company that helps our employees make a meaningful, local difference.

We also work closely with the UK Electronics Skill Foundation (UKESF), supporting the future talent of Engineering in providing student placements and supporting STEM education and development.

Our continued success at Calnex, together with the diversity of our employees, enables us to make meaningful contributions all over the world. Guided and driven by what is important to our teams, we are committed to use the resources we have at our disposal to support events, charities and groups to demonstrate our commitment to Environmental, Social and Governance responsibilities.

Products

Our products are innovative, leading-edge test and measurement solutions for designers and operators of the equipment and infrastructure that enables 5G networking and wireless technologies. 5G technologies provide enhanced mobile broadband, mission critical communications and the Internet of Things, all of which have a significant global impact across many aspects of society and industry.

Our approach to product development is as follows:

- we develop hardware platforms that can be enhanced with downloadable software upgrades in line with customers' ever-changing needs. For example, both our Paragon-X and Sentinel platforms, introduced in 2010, and 2013 respectively, are still supported by the Company.
- our products are built into test racks where they remain for as long as the customers' products are supported. Customers expect their products, once deployed in networks, to be utilised for 15-20 years.
- this longevity feeds back through the supply chain as our customers now expect that same longevity from test equipment vendors
- our products are manufactured by a highly skilled contract manufacturer, Kelvinside Electronics, whose close proximity allows for excellent two-way support and communication regarding the complex technical challenges of building and testing our products.
- our bespoke product packaging is manufactured by a local supplier with a comprehensive environmental policy including a focus to reduce, reuse and recycle all packaging materials wherever possible.

Environment

Both Calnex's operational processes and our products have a low environmental impact.

The majority of our staff are office-based and have the ability to work part of the week from home where their duties allow them to, performing their operations using computer and internet-based services. Our contract manufacturer, Kelvinside Electronics, is ISO14001 certified. Our products sales and customer support services are managed by locally-based partners together with Calnex support staff which greatly minimises global travel.

Our company HQ and the majority of our operations are based in serviced premises leased from Oracle in Linlithgow. Calnex use the waste recycling services provided by Oracle. Oracle have also invested in efficient lighting and air conditioning systems to help minimise energy consumption on site.

The small amount of electrical component and circuit board waste we generate is disposed of in accordance with the WEEE regulations.

Our products are designed as platforms enabling our customers to take advantage of future software upgrades and hardware longevity.

Despite being a low environmental impact business, we've launched an initiative to become an ISO14001 certified business by 2023. The ISO14001 standard defines a framework to formally manage the environmental impact of our business operations and products. Our recent positive experience and benefits of adopting the ISO9001 standard for our Quality Management System has spurred us on to secure the Environmental standard, ISO14001.

People

Our Culture

Calnex is a people first company built on trust and respect. We are transparent, sharing in the successes, the challenges and the Group's ambitions moving forward. We help and encourage each other, supporting the business and our colleagues in building on an already successful company. Calnex also enjoys and thrives on a diverse workforce where inclusion is key to building high performing, engaged and successful teams.

Respectful of each other, we consider how our actions, ideas and approaches impact others.

We work as one team.

Our strong values, as reflected in our Investors in People Gold Award, are promoted through a variety of employee engagement programmes:

- Robust **Recruitment Process** that only ever hires top talent and employees who value and support a positive working culture.
- Supportive **Induction Training Programme** including a comprehensive internally delivered training programme that supports the integration of new employees.
- **Mentoring Programme** to support the development of staff and career progression.
- Employee-built **Annual Review Programme** that recognises personal achievements and supports development and career progression.
- **Training and Development Opportunities** to further develop skillsets and/or secure educational qualifications.
- Group-wide **Compliance Training** to remain legally compliant worldwide.
- A benchmarked **Benefits Package** that strongly supports the financial, physical and mental wellbeing of our people including, amongst other things, profit share for staff, an employee share incentive plan, a flexible/hybrid working model, an employee wellbeing activity programme (including fitness classes, an onsite gym, and free use of facilities the local sports and recreation centre, a healthcare scheme available to all staff and income protection and life assurance polices.
- **Quality Management System** that encourages inclusivity and drives process improvement.

- Regular **Culture sessions** chaired by Calnex's CEO to gather feedback on the Company's culture, practices and processes, encouraging employees to provide their input into organisational development.
- Annual **Employee Surveys** to enable two-way dialogue on topics such as company strategy, career progression opportunities and other current topics affecting the working lives and wellbeing of our employees.

Tommy Cook
Chief Executive Officer
23 May 2022

Financial Review

Chief Financial Officer's Statement

The Group delivered a strong financial performance in the year to 31 March 2022, with growth in revenue, underlying EBITDA and adjusted profit before tax, resulting in a positive trading cashflow for the year.

Financial KPIs

£000	**FY22**	**FY21**
Revenue	22,046	17,978
Gross Profit	16,528	13,965
Gross Margin	75%	78%
Underlying EBITDA [1]	6,351	5,496
Underlying EBITDA %	29%	31%
Adjusted Profit before tax [1,2]	5,973	5,068
Adjusted Profit before tax %	27%	28%
Closing cash and fixed term deposits [3]	15,357	12,668
Capitalised R&D	3,905	3,326
Adjusted basic EPS (pence) [1]	5.19	5.83
Adjusted diluted EPS (pence) [1]	5.00	5.21
Statutory measures: [4]		
Profit before tax	5,973	3,647
Profit before tax %	27%	20%
Basic EPS (pence)	5.19	4.68
Diluted EPS (pence)	5.00	4.18

[1] *Refer to note 32 for explanation of the alternative performance measures calculations.*
[2] *Adjusted in comparative periods to exclude IPO costs and IPO related share based payments and the tax effect of these adjustments. As a result of the Company's admission to AIM occurring halfway through FY21, the basic and diluted weighted average number of shares in issue in the prior year were 73,762,000 and 82,575,000 respectively, compared with 87,500,000 total share capital and 90,150,000 diluted share capital post IPO.*
[3] *The Group takes advantage of high interest deposit accounts for surplus cash balances not required for working capital. Under IAS 7 Statement of Cash Flows, cash held on long-term deposits (being deposits with maturity of greater than 95 days, and no more than twelve months) that cannot readily be converted into cash is classified as a fixed term investment.*
[4] *A full reconciliation between Underlying EBITDA and adjusted profit before tax and the statutory measures is shown below.*

Reconciliation of statutory figures to alternative performance measures – Income Statement

	FY22	FY21
	£000	**£000**
Revenue	**22,046**	**17,978**
Cost of sales	(5,518)	(4,013)
Gross Profit	**16,528**	**13,965**
Other income	648	530
Administrative expenses (excluding depreciation & amortisation)	(7,917)	(7,941)
EBITDA	9,259	6,554
Amortisation of development costs	(2,908)	(2,479)
Add back exceptional items:		
IPO costs	-	1,057
Issue of Free Shares on IPO under Share Incentive Scheme	-	166
Share based payments	-	198
Underlying EBITDA	**6,351**	**5,496**
Other depreciation & amortisation	(358)	(273)
Operating Profit	**5,993**	**5,223**
Finance costs	(20)	(155)
Adjusted profit before tax	**5,973**	**5,068**
Exceptional items	-	(1,421)
Profit before tax	**5,973**	**3,647**
Tax	(1,433)	(194)
Profit for the year	**4,540**	**3,453**

Revenue

Revenue recognised in the year grew 23% to £22.0m (FY21: £18.0m). Order intake and revenue grew across all three product lines and regions compared to the prior year. Revenues from the Americas and Rest of World regions increased 23% and 31% respectively. North Asia revenues grew by 14%, after a flat first half which was due in part to the ongoing geopolitical tensions between the US and China. Americas accounted for 32% of total revenues (FY21: 32%), ROW 37% (FY21: 35%) and North Asia 31% (FY21: 33%) in the year.

The business also closed the FY22 year with a record order book, providing a strong foundation going into FY23.

Revenue model

Calnex generates revenues through the sale of bundled hardware and software, alongside the provision of software support and extended warranty programmes.

The Group's core sales model is bundled hardware and software. Sales pricing is dependent on the product type and the complexity of the software configuration built into the product package. Calnex also sells stand-alone software upgrades under licence.

Each of Calnex's units comes with a standard warranty period including maintenance and software upgrade cover in the event of any software upgrades being released for the options purchased. Calnex also sells software support programmes which provide customers with access to future software upgrades which are not included as part of the standard warranty. The Group also offers extended warranty programmes to cover repairs falling outwith the standard warranty period.

Bundled hardware and software revenues are recognised when delivered to the customer, with stand-alone software revenues recognised in line with the licence period. Revenues from software support and extended warranty programmes are typically recognised on a straight-line basis over the term of the contract.

Many of the products and services developed and deployed by Calnex's customers are interlinked and need to be tested independently, such as the individual components which are then built into the equipment used in telecoms networks. Calnex's test products can be used by a combination of equipment vendors, component manufacturers and network operators, to carry out testing during a new product development cycle. A customer can choose to use Calnex's products in the knowledge that a more consistent result may be obtained if a Calnex test solution had already been used on a particular product.

Sources of Revenue

<u>Revenue streams</u>

	FY22 £000	FY21 £000
Warranty support revenue - recognised over life of cover	2,006	1,469
Hardware and software revenue - recognised on despatch/delivery	20,040	16,509
Total revenue	22,046	17,978

In FY22, 91% (FY21: 92%) of the Group's revenues were generated from the sale of bundled hardware and software products, with 9% (FY21: 8%) from software support and extended warranty programmes.

<u>Geographical split of orders (3 year average)</u>

	FY22 % of orders
Americas	35%
North Asia	35%
Rest of World	30%

The Group's customers are located across the world. Our global customer base and distributor network gives the Group the ability to spread risk across our three key regions: the Americas, North Asia and Rest of the World. On a 3 year average basis, the split of orders across the three key regions was 35% for Americas (FY21: 34%), ROW 35% (FY21: 33%) and 30% (FY21: 33%) for North Asia. North Asia experienced a decrease in the Period reflecting the ongoing US-China geopolitical tensions, which are also exacerbating the component shortage issues in the region.

Top 10 customer orders (average over 3 years)

	FY21 % of orders
Top 10 customer revenues	50%
Other revenues	50%

In FY22, Calnex received orders from 233 customers, an increase of 34 on 199 customers in FY21.

The Group's top ten customers in FY22 accounted for 53% of total orders (FY21: 46%) and 50% of total orders on average over the last three years (FY21: 49%).

In FY22, no underlying customer accounted for more than 13% of Calnex's total orders.

Repeat orders (average over 3 years)

	FY21 % of revenue
Repeat orders	79%
Other orders	21%

The average length of customer relationship across the top ten customers in FY22 is 10 years, demonstrating our high levels of repeat demand from these customers. In addition, the Group typically experiences a high level of repeat business from its total customer base. In FY22, 79% of orders were generated from existing customers (FY21: 80%).

During the last five years, 199 (FY21: 177) customers have placed repeat orders with Calnex.

Telecoms v non-telecoms customers

	FY22 % of orders	**FY23 % of orders**
Telecoms	77%	77%
Non Telecoms	23%	23%

Calnex's sales are predominantly derived from telecoms customers where the end-application is a telecoms (fixed and mobile) network. Non-telecoms customers include hyperscale/data centres and enterprise customers. These non-telecoms customers represented 23% of the Group's revenues in FY22 (FY21: 23%).

As telecoms networks evolve, we are finding a number of companies whose primary business is hyperscale/datacentres and IT are also moving into the telecoms space. We classify sales to these non-telecoms companies for use in telecoms applications as telecoms sales for the purposes of this analysis.

Gross Profit

Gross profit increased by 18% to £16.5m (FY21: £13.9m) reflecting the strong trading performance, and gross margin is in line with market expectations at 75% (FY21: 78%). Gross margin is calculated after discounts to channel partners are applied. Gross margins can fluctuate year on year depending on the mix of products and the mix of the hardware and software bundles at any given time, so can differ slightly when comparing periods. The product mix has been the main driver behind the gross margin variance to the prior year.

Underlying EBITDA

Underlying EBITDA, which includes R&D amortisation and is adjusted in the prior year to exclude IPO costs and specific share based payments relating to the IPO, increased by 16% to £6.4m in the year (FY21: £5.5m), comfortably ahead of market expectations as a result of the strong trading performance.

Administrative expenses (excluding depreciation & amortisation), excluding IPO costs and IPO related share based payments were £7.9m in FY22 (FY21: £6.5m). The increase in administrative costs relates to higher staff costs as we continue to grow the teams across the business, staff profit share and higher sales team commissions as a result of the increased trading performance, offset by savings in foreign exchange costs. Travel and events costs increased only slightly in the year as teams continued to work from home for the majority of the year. We expect these costs to increase in the following year as COVID-19 restrictions are lifted.

Amortisation of R&D costs increased by £0.4m to £2.9m (FY21: £2.5m) as a result of increases in R&D investment in recent years supporting growth in revenues.

Underlying EBITDA margin was 29% in FY22 compared to 31% in FY21 driven by the change in gross margin, offset slightly by a reduction in administrative costs as a percentage of revenue compared with the prior year.

Exceptional costs

Exceptional costs relate to costs associated with the Company's admission to AIM in October 2020. These costs are solely related to FY21.

Adjusted profit before tax

Profit before tax (adjusted in the prior year to exclude IPO costs and IPO related share based payments) was £6.0m (FY21: £5.1m) driven by the growth in revenue performance in the year. Adjusted profit before tax margin was 27% in FY22 compared to 28% in FY21 driven by the change in gross margin, offset by savings in finance costs as a result of the repayment of the term loan in October 2020 and by a reduction in administrative costs as a percentage of revenue compared with the prior year.

Tax

The tax charge in the year was £1.4m (FY21: £0.2m), representing an effective tax rate of 24.0% (FY21: 5.3%).

The weighted average applicable tax rate for FY22 was 19% (FY21: 19%). The difference between the applicable rate of tax and the effective rate is largely due to the following:

- Recognition of the change in tax rate to 25% on certain deferred tax assets and liabilities as they are expected to reverse after 1 April 2023 (increasing the effective rate by 5.9%);
- Availability of R&D SME enhanced deduction (decreasing effective rate by 0.3%);
- Impact of the super deduction in relation to fixed asset additions (decreasing the effective rate by 0.3%); and
- Other differences, such as prior year adjustments, disallowable expenses and overseas tax (decreasing effective rate by 0.3%).

The difference between the applicable rate of tax and the effective rate in FY21 was due to the following:

- Tax relief on exercise of share options by Calnex UK based employees on IPO on which no deferred tax asset had previously been recognised (decreasing the effective rate by 15.6%);
- R&D SME enhanced deduction (decreasing the effective rate by 3.4%); and
- Permanent differences such as IPO costs which are disallowed for tax purposes (increasing the effective rate by 5.3%).

Earnings per share

Basic earnings per share was 5.19 pence in the year (FY21: 4.68 pence) and diluted earnings per share was 5.00 pence (FY21: 4.18 pence).

Adjusted in the prior period to exclude IPO costs and IPO related share based payments and the tax effect of these adjustments, adjusted basic earnings per share was 5.19 pence in the year (FY21: 5.83 pence) and adjusted diluted earnings per share was 5.00 pence (FY21: 5.21 pence).

Adjusted EPS excludes IPO costs (including IPO related share based payments) and the tax effect of these adjustments:

	Year ended 31 March 2022	**Year ended 31 March 2021**
£000		
Profit after tax	**4,540**	**3,453**
Adjusted for:		
Discontinued operations	-	-
IPO exceptional costs	-	1,421
Tax relief on share option exercise	-	(570)
Total adjusted profit after tax	**4,540**	**4,304**
Weighted average number of ordinary shares:		
Basic earnings per share	87,500	73,762
Diluted earnings per share	90,845	82,575

Earnings per share

Basic earnings per share	5.19	4.68
Diluted earnings per share	5.00	4.18
Adjusted basic earnings per share	5.19	5.83
Adjusted diluted earnings per share	5.00	5.21

The variance in the adjusted EPS figures compared to the prior year is largely driven by:

- The basic and diluted weighted average number of shares in issue in the prior year were 73,762,000 and 82,575,000 respectively, compared with 87,500,000 total share capital and 90,845,000 diluted share capital post IPO.
- Additionally, the FY21 tax charge adjusted for the items above is £0.7m and the adjusted effective tax rate is 15% (£0.7m tax charge as percentage of the adjusted profit before tax of £5.1m), compared to the effective tax rate of 24% in FY22.

Cashflows

The Group generated £2.7m cash in FY22 including fixed term deposits, compared with £9.0m in FY21 which included IPO net proceeds and government grant cash received in advance. Cash generated in FY21 excluding these factors was £5.4m.

Reconciliation of statutory figures to alternative performance measures – Cashflow

	FY22 £000	FY21 £000
Net cash from operating activities	**7,350**	**9,049**
Investing activities – intangible and property, plant and equipment	(4,213)	(3,342)
Dividends paid	(245)	-
Other financing activities (excluding IPO related cashflows)	(203)	(276)
Increase in cash before IPO, debt and advanced government grant cashflows, and transfers to fixed term investments	**2,689**	**5,430**
Repayments of borrowings	-	(2,276)
IPO related cashflows	-	5,271
Government grant cash received in advance	-	578
Fixed term investment: fixed term deposit	(1,500)	-
Increase in cash per consolidated cashflow statement	**1,189**	**9,003**

Net cash from operating activities was £7.4m in the year compared to £9.0m in FY21. The £2.2m increase in profit before tax in FY22 compared to FY21 was offset by a £4.0m swing in working capital movements, driven predominantly by increases in trade receivables as a result of the strong trading performance in the year. Trade receivables were £4.1m at 31 March 2022 (31 March 2021: £1.0m). £3.9m of this cash was received in the 30 days post year end.

Cash used in investing activities is principally spent on R&D activities which is capitalised and amortised over five years. Investment in R&D in the year was £3.9m (FY21: £3.3m), reflecting the growth in the team as R&D project resource demands increased as planned.

The Group takes advantage of high interest deposit accounts for surplus cash balances not required for working capital. Under IFRS, cash held on long-term deposits (being deposits with maturity of greater than 95 days, and no more than twelve months) that cannot readily be converted into cash is classified as a fixed term investment. This is shown separately on the balance sheet and also classed as a cash outflow within investing activities in the consolidated cashflow statement. It is added back in the non-statutory cash flow reconciliation above as we regard this as cash generated and owned by the Group in the year.

Cash spend on financing activities in the year was £0.4m (FY21: £3.3m inflow; £0.3m outflow before IPO related cashflows and government grant cash received in advance), representing payment of lease obligations and dividend payments. The Board approved a maiden interim dividend of 0.28 pence per ordinary share on 17 December 2021 to those shareholders on the register as at 3 December 2021 (FY21 Interim dividend 0p), totalling £0.3m. A final dividend of 0.56 pence per share (£0.5m) is proposed by the Board to be paid if approved by shareholders at Company's AGM in August 2022.

There is currently no debt on the balance sheet, leading to no borrowings related cashflows in the current period.

The total proceeds raised from the IPO in the prior year was £22.5m, which comprised 34,375,000 shares sold on behalf of existing shareholders to raise £16.5m and 12,500,000 new shares issued to raise £6.0m (before expenses) for the Group. £0.3m cash was also raised as a result of the exercise of share options. Total IPO fees were £1.1m in the prior year. The Group also received £0.6m in grant funding from Scottish Enterprise in FY21. £0.5m of this cash was received in advance for the FY22 year.

Closing cash at 31 March 2022, including fixed term deposits, was £15.4m (31 March 2020: £12.7m).

Ashleigh Greenan
Chief Financial Officer
23 May 2022

Consolidated statement of comprehensive income

	Note	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Revenue	**5**	22,046	17,978
Cost of sales		(5,518)	(4,013)
Gross profit		16,528	13,965
Other income	**6**	648	530
Administrative expenses		(11,183)	(10,693)
Operating profit		5,993	3,802
Finance costs	**10**	(20)	(155)
Profit before taxation		5,973	3,647
Taxation	**11**	(1,433)	(194)
Profit and total comprehensive income for the year		4,540	3,453
Basic earnings per share	**27**	5.19	4.68
Diluted earnings per share	**27**	5.00	4.18

Consolidated and Company statement of financial position

		Group		*Company*	
		31 March 2022	**31 March 2021**	**31 March 2022**	**31 March 2021**
		£'000	**£'000**	**£'000**	**£'000**
Non-current assets	**Note**				
Intangible assets	**12**	8,424	7,525	8,424	7,525
Plant and equipment	**13**	274	22	274	22
Right-of-use assets	**19**	791	522	791	522
Deferred tax asset	**20**	304	613	304	613
		9,793	8,682	9,793	8,682
Current assets					
Inventories	**14**	998	1,111	998	1,111
Trade and other receivables	**15**	4,997	1,819	5,197	2,200
Cash and cash equivalents	**16**	13,857	12,668	13,592	12,277
Short term investment	**16**	1,500	-	1,500	-
		21,352	15,598	21,287	15,588
Total assets		31,145	24,280	31,080	24,270
Current liabilities					
Trade and other payables	**18**	5,569	4,181	5,549	4,157
Lease liabilities	**19**	193	130	193	130
Provisions	**21**	141	291	141	291
		5,903	4,602	5,883	4,578
Non-current liabilities					
Trade and other payables	**18**	718	749	718	749
Lease liabilities	**19**	664	436	664	436
Deferred tax liabilities	**20**	2,017	1,321	2,017	1,321
Provisions	**21**	15	15	15	15
		3,414	2,521	3,414	2,521
Total liabilities		9,317	7,123	9,297	7,099
Net assets		21,828	17,157	21,783	17,171
Equity					
Share capital		109	109	109	109
Share premium		7,484	7,484	7,484	7,484
Share option reserve		502	126	502	126
Retained earnings		13,733	9,438	13,688	9,452
Total equity		21,828	17,157	21,783	17,171

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Share option reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 31 March 2020	**25**	**1,138**	**69**	**5,769**	**7,001**
Issue of shares	16	5,984	-	-	6,000
Share options	18	362	57	266	703
Bonus share issue	50	-	-	(50)	-
Total comprehensive income for the year	-	-	-	3,453	3,453
Balance at 31 March 2021	**109**	**7,484**	**126**	**9,438**	**17,157**
Share options	-	-	376	-	376
Interim dividend				(245)	(245)
Total comprehensive income for the year	-	-	-	4,540	4,540
Balance at 31 March 2022	**109**	**7,484**	**502**	**13,733**	**21,828**

Company statement of changes in equity

	Share capital £'000	Share premium £'000	Share option reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 31 March 2020	**25**	**1,138**	**69**	**5,715**	**6,947**
Issue of shares	16	5,984	-	-	6,000
Share options	18	362	57	266	703
Bonus share issue	50	-	-	(50)	-
Total comprehensive income for the year	-	-	-	3,521	3,521
Balance at 31 March 2021	**109**	**7,484**	**126**	**9,452**	**17,171**
Share options	-	-	376	-	376
Interim dividend				(245)	(245)
Total comprehensive income for the year	-	-	-	4,481	4,481
Balance at 31 March 2022	**109**	**7,484**	**502**	**13,688**	**21,783**

Consolidated and Company cash flow statement

	Group		Company	
	31 March 2022 £'000	31 March 2021 £'000	31 March 2022 £'000	31 March 2021 £'000
Cashflows from operating activities				
Profit before tax from continuing operations	5,973	3,647	5,872	3,715
Adjusted for:				
IPO professional fees and commissions	-	1,057	-	1,057
Finance costs	20	155	20	155
Foreign exchange differences	-	(65)	-	(65)
Government grant income	(197)	(204)	(197)	(204)
R&D tax credit income	(457)	(326)	(457)	(326)
Change in fair value of assets and liabilities	-	144	-	144
Movement in provisions	(150)	(14)	(150)	(14)
Share based payment transactions	262	275	262	275
Depreciation	252	167	252	167
Amortisation	3,014	2,585	3,014	2,585
Movement in inventories	(38)	(178)	(38)	(178)
Movement in obsolescence provision	150	25	150	25
Movement in trade and other receivables	(2,815)	818	(2,567)	436
Movement in trade and other payables	1,129	1,271	1,108	1,230
Net cash used in discontinued operations	-	(201)	-	(201)
Cash generated from operations	7,143	9,156	7,269	8,801
Interest paid	-	(107)	-	(107)
R&D tax credit refunds received	207	-	207	
Net cash from operating activities	**7,350**	**9,049**	**7,476**	**8,694**
Investing activities				
Purchase of intangible assets	(3,913)	(3,332)	(3,913)	(3,332)
Purchase of property and equipment	(300)	(10)	(300)	(10)
Short term investment: fixed term deposit	(1,500)	-	(1,500)	-
Net cash used in investing activities	**(5,713)**	**(3,342)**	**(5,713)**	**(3,342)**
Financing activities				
Repayment of borrowings	-	(2,276)	-	(2,276)
Payment of lease obligations	(203)	(193)	(203)	(193)
Dividends paid	(245)	-	(245)	-
Share issue proceeds	-	6,000	-	6,000
Share options proceeds	-	328	-	328
IPO professional fees and commissions	-	(1,057)	-	(1,057)
Payment of deferred consideration	-	(83)	-	(83)
Government grant income	-	578	-	578
Net cash from financing activities	**(448)**	**3,297**	**(448)**	**3,297**
Net increase in cash and cash equivalents	**1,189**	**9,004**	**1,315**	**8,649**
Cash and cash equivalents at beginning of the year	12,668	3,664	12,277	3,628
Cash and cash equivalents at end of the year	**13,857**	**12,668**	**13,592**	**12,277**

Notes to the financial statements

1. General information

Calnex Solutions plc ("the Company") is a public limited company domiciled and incorporated in Scotland. The registered office is Oracle Campus, Linlithgow, West Lothian, EH49 7LR.

The Company (together with its subsidiary, the "Group") were under the control of the directors throughout the period covered in the financial statements. The list of the subsidiaries consolidated in the financial statements are shown in Note 25.

The principal activity of the Group is the design, production and marketing of test instrumentation and solutions for network synchronisation and network emulation enabling its customers to validate the performance of critical infrastructure associated with telecoms networks, enterprise networks and data centres.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 May 2022. The directors have the power to amend and reissue the financial statements.

2. Basis of preparation

a) Statement of compliance

This financial information does not include all information required for full annual financial statements and therefore does not constitute statutory accounts within the meaning of section 435(1) and (2) of the Companies Act 2006 or contain sufficient information to comply with the disclosure requirements of International Financial Reporting Standards. These should be read in conjunction with the Financial Statements of the Group as at and for the year ended 31 March 2022.

The report of the auditors for the year ended 31 March 2022 was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

b) Basis of accounting

The financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities including financial instruments, which are stated at their fair values.

The preparation of the financial statements in conformity with UK-adopted IAS requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense. The estimates and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented.

c) Functional and presentation currency

The financial statements are presented in pounds Sterling, which is the functional and presentation currency of the Group. Results in these financial statements have been prepared to the nearest thousand.

d) Basis of consolidation

The consolidated financial statements incorporate those of Calnex Solutions plc, and all its subsidiaries. A subsidiary is an entity controlled by the Group, i.e. the Group is exposed to, or has the rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its current ability to direct the entity's relevant activities (power over the investee). All intra-Group transactions, balances, and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The total comprehensive income, assets and liabilities of the entities are amended, where necessary, to align the accounting policies.

The Group applies the acquisition method to account for all acquired businesses, whereby the identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values (with a few exceptions as required by IFRS 3 Business Combinations).

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities is recognised as goodwill.

The acquisition of assets that falls outside the scope of IFRS 3 are accounted for by bringing the assets and liabilities of the acquired entity into the financial statements at their nominal value from the date of acquisition. Comparative information is not restated.

2. Basis of preparation (continued)

e) Going Concern

The financial information for the year to 31 March 2022 has been prepared on the basis that the Company will continue as a going concern.

The business has not seen any detrimental impact on trading as a result of the COVID-19 pandemic and the Group did not require the assistance of government funding during the government mandated lockdowns. The Group is not significantly exposed to industries that have been heavily affected by COVID-19 and management has been able to implement remote working from home since the beginning of the rollout of global lockdown measures to continue to operate effectively and meet customer requirements. Appropriate safety measures have also been put in place to protect staff that need to visit our offices whilst adhering to government advice on stay at home directives across our various locations. The staff have now returned to the offices and are operating a hybrid working model allowing staff to work from home where supported by management. The directors continue to monitor the government guidance and will reintroduce all safety measures where required.

The directors continue to closely monitor the situation, with rolling cashflow forecasting and visibility over the order pipeline being key to provide early indication of required action in order to mitigate against the commercial effect of further lockdowns or new virus threats.

The Board has approved financial profit and cashflow forecasts for the current and succeeding financial years to 31 March 2024. Based on this review, along with regular oversight of the Company's risk management framework, the Board has concluded that given the Company's cash reserves available and access to additional liquidity through banking facilities the Company will continue to trade as a going concern.

3. Significant accounting policies

(a) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of sales related taxes and discounts and is recognised at the point in time when the relevant performance obligation is satisfied.

Where revenue contracts have multiple elements, all aspects of the transaction are considered to determine whether these elements can be separately identified. Where transaction elements can be separately identified and revenue can be allocated between them on a fair and reliable basis, revenue for each element is accounted for according to the relevant policy below. Where transaction elements cannot be separately identified, revenue is recognised over the contract period.

The Group recognises revenue from the following major sources:

Hardware & software revenue

Revenue from the sale of hardware and bundled software, is recognised when the Group transfers the risk and rewards to the customer. Each unit sale comes with a standard warranty period during which the Group agrees to provide warranty cover, maintenance cover and software upgrade cover in the event of any software upgrades being released. This is recognised as a separately identifiable obligation from the provision of the hardware and is recognised over the life of the cover provided, being a year.

For the sale of stand-alone software, the licence period and therefore the revenue recognition, commences upon delivery.

Extended warranty programme

The Group enters into agreements with purchasers of its equipment to perform necessary repairs falling outside the Group's standard warranty period. As this service involves an indeterminate number of acts, the Group is required to 'stand ready' to perform whenever a request falling within the scope of the program is made by a customer. Revenue is recognised on a straight-line basis over the term of the contract.

This method best depicts the transfer of services to the customer as:

i) The Group's historical experience demonstrates no statistically significant variation in the quantum of services provided in each year of a multi-year contract; and

ii) no reliable prediction can be made as to if and when any individual customer will require service.

Software support programme

The Group enters into agreements with purchasers of its equipment to provide software support and access to future software updates. Revenue is recognised on a straight-line basis over the term of the contract.

3. Significant accounting policies (continued)

Grant income

The Group obtains grant funding from the Scottish Government in the form of reimbursement for research and development costs eligible for reclaim under the grant agreement. Costs are incurred before they can be reclaimed under the grant agreement and revenue is only recognised after receipt of the funds from the government. Grant funds received are recognised over five years, in line with the amortisation policy on capitalised research and development costs.

(b) Retirement benefit costs

Payments to defined contribution schemes are charged to the Statement of comprehensive income as an expense as they fall due.

(c) Share based payments

Equity-settled and cash settled share-based compensation benefits are provided to some employees. Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. There are no other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying the Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when the relevant requirements of IAS 12 are satisfied.

3. Significant accounting policies (continued)

(d) Taxation

The tax expense represents the sum of the current tax and deferred tax charge for the year. The tax currently payable is based on taxable profit for the year. The Group's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is measured on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases, as used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of financial assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

(e) Business Combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the Group to former owners of the acquirer. All acquisition costs are expensed as incurred to profit or loss.
On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss.

The difference between the acquisition-date fair value of assets acquired and liabilities assumed and the fair value of the consideration transferred is recognised as goodwill. If the consideration transferred is less than the fair value of the identifiable net assets acquired, a bargain purchase is recognised as a gain directly in profit or loss by the Group on the acquisition-date.

Business combinations are initially accounted for on a provisional basis. The Group retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

(f) Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years. Amortisation is charged to administrative expenses in the Statement of Comprehensive Income.

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets 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. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

3. Significant accounting policies (continued)

(g) Financial assets

Where there is no publicly quoted market value, other investments, including subsidiaries, are shown at cost less provisions for impairment.

(h) Plant and equipment

Plant and equipment are shown at cost, net of depreciation and any provision for impairment. Depreciation is provided on all property, plant and equipment at varying rates calculated to write off cost less residual value over the useful lives. Depreciation is charged to administrative expenses in the Statement of Comprehensive Income. The principal rates employed are:

Plant and machinery	25-33% straight line

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate these values may not be recoverable. If there is an indication that impairment does exist, the carrying values are compared to the estimated recoverable amounts of the assets concerned.

The recoverable amount is the greater of an asset's value in use and its fair value less the cost of selling it. Value in use is calculated by discounting the future cash flows expected to be derived from the asset. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down through the income statement to its recoverable amount.

An item of property, plant and equipment is written off either on disposal or when there is no expected future economic benefit from its continued use. Any gain or loss (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the income statement in the year.

(i) Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods for resale, the average purchase price is used. For work in progress and finished goods, cost is taken as production cost which includes an appropriate proportion of overheads.

Inventories are assessed for indicators of impairment at each year end and where a provision is required the income statement is charged directly.

(k) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

The simplified approach to measuring expected credit losses has been applied, this uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

3. Significant accounting policies (continued)

(l) Cash and cash equivalents
Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of 95 days or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

(m) Short term investments
Cash at bank on fixed term deposit, and other liquid investments with maturities of greater than 95 days, but less than 12 months at the reporting date.

(n) Borrowings
Interest-bearing loans and bank overdrafts are initially recorded at the fair value of proceeds received and are subsequently stated at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(o) Trade and other payables
Trade payables are non-interest-bearing and are measured at amortised cost.

(p) Provisions
Provisions are recognised when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

(q) Financial liabilities
Financial liabilities are recognised on the Group's Statement of financial position when the Group becomes a party to the contractual provisions of that instrument.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The changes in fair value are recorded in the statement of comprehensive income.

(r) Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The lease term is the non-cancellable period of the lease plus extension periods that the group is reasonably certain to exercise and termination periods that the group is reasonably certain not to exercise. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are re-measured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is re-measured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

3. Significant accounting policies (continued)

(s) Foreign currency

In preparing the financial statements, transactions in currencies other than pounds sterling are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the foreign exchange rate ruling at that date. Exchange differences arising on translation are recognised in the consolidated Statement of comprehensive income for the period.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the rates prevailing at the dates when the fair value was determined. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency (e.g. property, plant and equipment purchased in a foreign currency) are translated using the exchange rate prevailing at the date of the transaction. Exchange differences arising on the translation of net assets are affected through the Statement of Comprehensive Income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period and recognised in the Statement of Comprehensive Income.

(t) Dividends

Dividends are recognised when declared during the financial year. The declaration of dividends is at the discretion of the directors.

(u) Value Added Tax

Revenues, expenses and assets are recognised net of the amount of associated VAT, unless the VAT incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of VAT receivable or payable. The net amount of VAT recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Commitments and contingencies are disclosed net of the amount of VAT recoverable from, or payable to, the tax authority.

(v) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the shareholders, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(w) Critical judgements in applying the Groups accounting estimates

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

Share based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Impairment

Determining whether any non-current asset has been impaired requires an estimation of the value in use of the cash generating units to which these assets are allocated. The value in use calculation requires the Group to identify appropriate cash generating units, to estimate the future cash flows expected to arise from each cash generating unit and a suitable discount rate in order to calculate present value. Impairment exercises on fixed tangible assets, goodwill and indefinite life intangible assets have been undertaken each year presented.

3. Significant accounting policies (continued)

(w) Critical judgements in applying the Groups accounting estimates (continued)

Useful lives

The Group uses forecast cash flow information and estimates of future growth to assess whether goodwill and other intangible fixed assets are impaired, and to determine the useful economic lives of its goodwill and intangible assets. If the results of operations in a future period are adverse to the estimates used a reduction in useful economic life may be required.

(x) New accounting standards

There have been no applicable new standards, amendments to standards and interpretations effective from 1 April 2021 that have been applied by the Group which have resulted in a significant impact on its consolidated results or financial position.

4 Operating Segments

Operating segments are based on the internal reports that are reviewed and used by the Board (who are identified as the Chief Operating Decision Makers) in assessing performance and determining the allocation of resources. As the Group has a central cost structure and a central pool of assets and liabilities the Board does not consider segmentation in their review of costs or the statement of financial position. The only operating segment information reviewed, and therefore disclosed, are the revenues derived from different geographies.

	Year ended 31 March 2022 £'000	**Year ended 31 March 2021 £'000**
Americas	7,066	5,767
North Asia	6,780	5,945
Rest of World	8,200	6,266
	22,046	17,978

5 Revenue

	Year ended 31 March 2022 £'000	**Year ended 31 March 2021 £'000**
Sale of goods	20,040	16,509
Rendering of services	2,006	1,469
Total revenue	22,046	17,978

76% (2021: 72%) of the Group order intake has been generated through the network of the Group's principal distribution partner. Included within order intake is an amount of £3,656,051 (2021: £2,144,773) which arose from the Groups largest customer. This is the only customer to exceed 10% of the Group's orders.

6 Other income

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Government grant income	191	204
R&D tax credit	457	326
	648	530

7 Material operating profit items

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Operating profit for the year is stated after charging/(crediting):		
IPO related professional fees and commissions	-	1,057
Issue of free shares to employees	-	166
Share based payments	262	275
Amortisation of intangible assets	3,014	2,585
Auditor's remuneration		
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	44	35
Fees payable to the Group's auditor and its associates for the audit of the Company's subsidiaries	-	-
Total fees payable for audit services	**44**	**35**
Fees payable to the Group's auditor and its associates for other services:		
Audit related services	2	-
Tax related services	-	-
Other services	-	151
Total fees payable to the Group's auditor and its associates	**46**	**186**

8 Employee benefits costs

Average monthly number of employees

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Development staff	64	58
Administrative staff	42	33
Management staff	10	9
	116	100

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Employee costs during the year (including directors remuneration) amounted to:		
Wages and salaries	7,694	6,875
Social security costs	630	586
Defined contribution pension	251	212
Share incentive scheme	210	215
Equity-settled share based payment	249	275
Cash-settled share based payment	13	-
	9,047	8,163
Total gross wages and salaries capitalised in the year, included in the analysis above	3,138	2,728

9 Key management personnel emoluments

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Wages and salaries	638	654
Social security costs	67	58
Defined contribution pension	6	6
Equity-settled share based payment	29	91
	740	809
Gains made on share options converted by directors in the year	-	613
The number of directors who accrued benefits under the company pension plans		
Defined contribution plans	1	1
Remuneration of the highest paid director in respect of qualifying services:		
Aggregate remuneration	255	184

10 Finance costs

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Interest expense for borrowings at amortised cost	-	107
Interest expense on lease liabilities	20	63
Unwinding of discount on deferred consideration	-	(15)
	20	155

11 Taxation

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Current taxation		
UK corporation tax on profits for the year	373	67
Foreign current tax expense	46	12
Adjustments relating to prior years	(120)	(9)
	299	70
Deferred taxation		
Origination and reversal of temporary differences	799	61
Adjustments relating to prior periods	(46)	63
Effect of changes in tax rates	381	-
	1,134	124
Total taxation charge	1,433	194

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Profit before tax for the year	5,973	3,647
Tax thereon at 19%	1,134	693
Effects of:		
Expenses disallowable for tax purposes	67	196
Adjustments in respect of prior periods – current tax	(120)	(9)
Adjustments in respect of prior periods - deferred tax	(46)	64
Change in tax rate on opening balance	381	-
Movement in unprovided deferred tax related to share options	-	(573)
Movement in unprovided deferred tax related to timing differences now recognised	-	(54)
SME R&D credit	(9)	(123)
Impact of super deduction	(20)	-
Overseas tax	46	-
Effect of non-UK losses	-	-
Taxation charge	1,433	194

The weighted average applicable tax rate for the year ended 31 March 2022 was 19% (2021: 19%). The effective rate of tax for the year, based on the taxation charge for the year as a percentage of the profit before tax is 24.0% (2021: 5.3%) The 5 percentage point difference between the applicable rate of tax and the effective rate is largely due to the following:

- Recognition of the change in tax rate to 25% on certain deferred tax assets and liabilities as they are expected to reverse after 1 April 2023; and
- Availability of R&D SME enhanced deduction which was included in the tax returns for 31 March 2020 and 31 March 2021 and benefit recognised as an adjustment to prior periods.

13 Intangible assets

Included within intangible assets are the following significant items:

- Cost of patent applications and on-going patent maintenance fees.
- Capitalised development costs representing expenditure relating to technological advancements on the core product base of the Group. These costs meet the requirement of IAS 38 (Intangible Assets) and will be amortised over the future commercial life of the related product. Amortisation is charged to administrative expenses.

	Intellectual property £'000	**Development costs £'000**	***Group* Total £'000**	***Company* Total £'000**
Cost				
At 1 April 2021	2,348	24,438	26,786	26,786
Additions	8	3,905	3,913	3,913
Disposals	(132)	(1,105)	(1,237)	(1,237)
At 31 March 2022	2,224	27,238	29,462	29,462
Amortisation				
At 1 April 2021	2,140	17,121	19,261	19,261
Charge for the year	106	2,908	3,014	3,014
Eliminated on disposal	(132)	(1,105)	(1,237)	(1,237)
At 31 March 2022	2,114	18,924	21,038	21,038
Net book value				
31 March 2021	208	7,317	7,525	7,525
31 March 2022	110	8,314	8,424	8,424

During the year, a review of the carried development costs brought forward has resulted in a disposal of £1,105,063, and elimination of amortisation of £1,105,063 resulting in a net book value impact of £nil. This reflects removal of aged spend on product features that are now considered to be superseded by current product developments.

14 Plant and equipment

The Group annually reviews the carrying value of tangible fixed assets taking recognition of the expected working lives of the plant and equipment available to the Group and known requirements. Depreciation is charged to administrative expenses.

	Group **Plant and equipment Total £'000**	***Company*** **Plant and equipment Total £'000**
Cost		
At 1 April 2021	119	119
Additions	300	300
Disposals	(84)	(84)
At 31 March 2022	335	335
Depreciation		
At 1 April 2021	97	97
Charge for the year	48	48
Eliminated on disposal	(84)	(84)
At 31 March 2022	61	61
Net book value		
31 March 2021	22	22
31 March 2022	274	274

15 Inventories

	Group		***Company***	
	Year ended 31 March 2022 £'000	**Year ended 31 March 2021 £'000**	**Year ended 31 March 2022 £'000**	**Year ended 31 March 2021 £'000**
Finished goods	1,427	1,390	1,427	1,390
Provision for obsolescence	(429)	(279)	(429)	(279)
	998	1,111	998	1,111
Cost of inventories recognised as an expense	4,811	3,591	4,811	3,591

Group inventories reflect the following movement in provision for obsolescence:

At start of the financial year	279	253	279	253
Utilised	(23)	(98)	(23)	(98)
Provided	173	124	173	124
At end of the financial year	429	279	429	279

16 Trade and other receivables

	Group		Company	
	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Amounts due within one year				
Trade receivables	4,120	988	4,120	988
Other receivables	748	700	748	700
Amounts owed by group companies	-	-	201	381
Prepayments and accrued income	129	131	128	131
	4,997	1,819	5,197	2,200

Trade receivables are consistent with trading levels across the Group and are also affected by exchange rate fluctuations.

No interest is charged on the trade receivables. The Group has reviewed for estimated irrecoverable amounts in accordance with its accounting policy.

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers as appropriate to the level of credit extended. In addition, credit insurance would be sought for major areas of exposure, although this has not been required in the year under review.

The Group reviews trade receivables past due but not impaired on a regular basis and considers, based on experience, that the credit quality of these amounts at the balance sheet date has not deteriorated since the date of the transaction.

Included in the Group's trade receivables balance are debtors with a carrying amount of £103,605 (2021: £78,664), which are past due at the reporting date but for which the Group has not provided against. As there has not been a significant change in credit quality, the Group believes that all amounts remain recoverable.

Ageing of past due but not impaired trade receivables

	Group		Company	
	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Overdue by				
0-30 days	104	46	104	46
30-60 days	-	32	-	32
60+ days	-	-	-	-
	104	78	104	78

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

Note 22 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses. The calculated credit risk is £11,080 (2021: £3,221). Due to the immaterial nature of the balance, no provision has been recognised.

17 Cash and cash equivalents

Cash and cash equivalent amounts included in the Consolidated Statement of Cashflows comprise the following:

	Group		*Company*	
	Year ended 31 March 2022 £'000	**Year ended 31 March 2021 £'000**	**Year ended 31 March 2022 £'000**	**Year ended 31 March 2021 £'000**
Cash at bank	7,330	7,668	7,065	7,277
Cash on short term deposit	6,527	5,000	6,527	5,000
Total cash and cash equivalents	13,857	12,668	13,592	12,277
Short term investment: fixed term deposit	1,500	-	1,500	-

Short term cash deposits of £1,501,049 (2021: £nil) are callable on a notice of 65 days.

Short term cash deposits of £5,025,495 (2021: £5,000,000) are callable on a notice of 95 days.

Cash held on long-term deposits (being deposits with maturity of greater than 95 days, and no more than twelve months) that cannot readily be converted into cash have been classified as a short term investment. A total of £1,500,000 (2021: £nil) is currently held on fixed term deposit, with a maturity on this investment of less than twelve months at the reporting date.

The Directors consider that the carrying value of cash and cash equivalents and short-term investments approximates their fair value. Details of the Group's credit risk management are included in note 22.

18 Borrowings

The Group currently has a £3,000,000 revolving credit facility, at an interest rate of 2.25% above the Bank of England base rate, and secured with a floating charge over the Group assets. The total amount drawn from the borrowing facility as at 31 March 2022 was £nil. (31 March 2021: £nil)

This facility is subject to the following financial covenants:

i) Leverage covenant: Gross borrowings to R&D adjusted EBITDA: The ratio of Gross Borrowings at the end of each relevant period to R&D Adjusted EBITDA for such Relevant Period shall not exceed 1.75 to 1.
R&D adjusted EBITDA is defined as EBITDA less capitalised development expenditure in the period.

ii) Interest Cover Covenant: EBIT to Net Financing Costs: The ratio of EBIT for each Relevant Period to Net Financing Costs for such Relevant Period shall not fall below 4.00 to 1.

The Group has passed all covenant tests during the review period.

19 Trade and other payables

	Group		Company	
	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Amounts due within one year				
Trade payables	924	944	911	927
Other taxes and social security	149	126	149	126
Other payables	60	51	60	51
Accruals	2,406	1,561	2,399	1,554
Deferred income	2,030	1,499	2,030	1,499
	5,569	4,181	5,549	4,157
Amounts due after one year				
Deferred income	718	749	718	749
Total amounts due	6,287	4,930	6,267	4,906

Trade and other payables are consistent with trading levels across the Group but are also affected by exchange rate fluctuations.

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The Group has financial risk management policies in place to ensure all payables are paid within the agreed credit terms.

The directors consider that the carrying amount of trade and other payables approximates their fair value.

Deferred income relates to fees received for ongoing services to be recognised over the life of the service rendered, and grant proceeds received but not yet released to the Statement of comprehensive income.

20 Leases

The Group leases land and buildings for its head office in Linlithgow, Scotland. The current lease was agreed on 1 December 2019 and will run for the 5-year period to 30 November 2024. The Group had previously recognised the right-of use asset and a lease liability applying a discount rate of 11%, which was consistent with the incremental borrowing rate at the date of the initial agreement. During the year, the Group has amended the lease agreement, and upon amendment has rebaselined the discount rate to be consistent with the incremental borrowing rate for the business post IPO. The revised discount rate applied for the remainder of the lease is 2.25%.

On the 4 March 2022 the Group agreed an additional premises lease for office space in Belfast. This lease has an initial 5 year term, with the right-of-use asset and subsequent lease liability being recognised by applying a 3.5% discount rate. This rate is consistent with the rebased incremental borrowing rate applied to the Linlithgow lease, inclusive of subsequent national interest rate increases.

The Group leases IT equipment with contract terms ranging between 1 to 2 years. The Group has recognised right-of use assets and lease liabilities for these leases.

The carrying value of right of use assets, and lease obligations recognised with respect to these leases are shown below:

	Building Lease £'000	**IT equipment £'000**	***Group* Total £'000**	***Company* Total £'000**
Cost				
At 1 April 2021	649	91	740	740
Additions	394	79	473	473
Disposals	-	-	-	-
At 31 March 2022	1,043	170	1,213	1,213
Depreciation				
At 1 April 2021	173	45	218	218
Charge for the year	162	42	204	204
Eliminated on disposal	-	-	-	-
At 31 March 2022	335	87	422	422
Net book value				
31 March 2021	476	46	522	522
31 March 2022	708	83	791	791

Right-of-use assets	***Group***		***Company***	
	Year ended 31 March 2022 £'000	**Year ended 31 March 2021 £'000**	**Year ended 31 March 2022 £'000**	**Year ended 31 March 2021 £'000**
Balance at 1 April	522	660	522	660
Additions to right of use assets	473	20	473	20
Depreciation charge for the year	(204)	(158)	(204)	(158)
Balance at 31 March	791	522	791	522

19 Leases (continued)

Lease liabilities

	Group		Company	
	Year ended 31 March 2022 £'000	**Year ended 31 March 2021 £'000**	**Year ended 31 March 2022 £'000**	**Year ended 31 March 2021 £'000**
Balance at 1 April	566	676	566	676
Acquisition of new leases	474	20	474	20
Payment of lease liabilities	(203)	(193)	(203)	(193)
Interest expense on lease liabilities	20	63	20	63
Balance at 31 March	857	566	857	566
Disclosed as				
Current	193	130	193	130
Non-current	664	436	664	436
	857	566	857	566

During the year, the Group also leased additional land and buildings in Belfast and one motor vehicle. These leases were low-value, so have been expensed as incurred. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Lease commitments for short-term and low value leases

	Group		Company	
	Year ended 31 March 2022 £'000	**Year ended 31 March 2021 £'000**	**Year ended 31 March 2022 £'000**	**Year ended 31 March 2021 £'000**
Motor vehicles	17	15	17	15
Land and buildings	51	30	51	30
	68	45	68	45

Amounts recognised in the profit and loss

	Group		Company	
	Year ended 31 March 2022 £'000	**Year ended 31 March 2021 £'000**	**Year ended 31 March 2022 £'000**	**Year ended 31 March 2021 £'000**
Depreciation charge – building lease	162	130	162	130
Depreciation charge – IT equipment	42	28	42	28
Interest on lease liabilities	20	63	20	63
Low value lease rental	68	42	68	42

Amounts recognised in statement of cashflows

	Group		Company	
	Year ended 31 March 2022 £'000	**Year ended 31 March 2021 £'000**	**Year ended 31 March 2022 £'000**	**Year ended 31 March 2021 £'000**
Total cash outflow for leases	(203)	(193)	(203)	(193)

A maturity analysis of lease liabilities is included in note 22 (d).

20 Deferred tax

The 2021 budget proposal increases the corporation tax rate to 25% from 1 April 2023. This was substantively enacted in the Finance Act 2021 on 24 May 2021.

Deferred tax asset

	Group		*Company*	
	Year ended 31 March 2022 £'000	**Year ended 31 March 2021 £'000**	**Year ended 31 March 2022 £'000**	**Year ended 31 March 2021 £'000**
Opening balance	613	554	613	554
Recognised in statement of comprehensive income	(424)	9	(424)	9
Recognised in equity	115	50	115	50
Closing balance	304	613	304	613
Deferred tax assets arise as follows:				
Unused tax losses	-	491	-	491
Share based remuneration	265	64	265	64
Other timing differences	39	58	39	58
Total deferred tax asset	304	613	304	613

Deferred tax liability

	Group		*Company*	
	Year ended 31 March 2022 £'000	**Year ended 31 March 2021 £'000**	**Year ended 31 March 2022 £'000**	**Year ended 31 March 2021 £'000**
Opening liability	1,321	1,188	1,321	1,188
Recognised in statement of comprehensive income	696	133	696	133
Recognised in equity	-	-	-	-
Closing liability	2,017	1,321	2,017	1,321
Deferred tax liabilities arise as follows:				
Deferred tax on acquisition	19	38	19	38
Timing differences on development costs	1,915	1,275	1,915	1,275
Accelerated capital allowances	87	11	87	11
Accrued pension costs	(4)	(3)	(4)	(3)
Total deferred tax liability	2,017	1,321	2,017	1,321

21 Provisions

	Group		Company	
	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Current provisions				
Overseas tax	141	291	141	291
Non-current provisions				
Dilapidations	15	15	15	15
Total provisions	156	306	156	306
The movement in the total provision liability				
At start of financial year	306	304	306	304
Recognised in profit and loss	(150)	2	(150)	2
At end of financial year	156	306	156	306

Current year provisions are recognised in respect of potential payments to be made to overseas tax authorities, and potential payments to be made in respect of dilapidations on leased assets. No discount is recorded on recognition of the provisions or unwound due to the short-term nature of the expected outflow and the low value and estimable nature of the non-current element.

22 Financial instruments

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments in the form of forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, and not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Capital management

The Board's policy is to maintain a strong capital base so as to cover all liabilities and to maintain the business and to sustain its development. The Board defines capital as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(a) Categories of financial instruments

	Group		***Company***	
	Year ended 31 March 2022 £'000	**Year ended 31 March 2021 £'000**	**Year ended 31 March 2022 £'000**	**Year ended 31 March 2021 £'000**
Financial assets (current and non-current) at amortised cost				
Trade and other receivables	4,279	1,688	4,480	2,069
Cash and cash equivalents	13,857	12,668	13,592	12,277
Short term investments	1,500	-	1,500	-
Financial liabilities (current and non-current) at amortised cost				
Lease liabilities	857	566	857	566
Trade and other payables	3,391	2,682	3,371	2,658

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. Under the fair value three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Unobservable inputs for the asset or liability.

22 Financial instruments (continued)

Financial risk management objectives

The Group's senior management team manage the financial risks relating to the operations of each department. These risks include market risk, credit risk and liquidity risk.

Where appropriate, the Group seeks to minimise the effects of market risks by using financial instruments to mitigate these risk exposures as appropriate. The Group does not enter into or trade in financial instruments for speculative purposes.

(b) Market risks

Foreign currency risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates.

As at 31 March 2022	Sterling £'000	Euro £'000	US Dollar £'000	Total £'000
Trade receivables	89	93	3,938	4,120
Lease liabilities	(857)	-	-	(857)
Trade payables	(818)	-	(106)	(924)
Cash and cash equivalents	12,989	207	661	13,857
Short term investments: fixed term deposit	1,500	-	-	1,500
	12,903	300	4,493	17,696

Based on this exposure, had Pound Sterling weakened by 5% the Group's profit before tax would have been £239,650 lower. The percentage change is based on management's assessment of reasonable possible fluctuations.

As at 31 March 2021	Sterling £'000	Euro £'000	US Dollar £'000	Total £'000
Trade receivables	70	215	703	988
Borrowings	-	-	-	-
Lease liabilities	(566)	-	-	(566)
Trade payables	(864)	-	(80)	(944)
Cash and cash equivalents	11,658	112	898	12,668
	10,298	327	1,521	12,146

Based on this exposure had Pound Sterling weakened by 5% the Group's profit before tax would have been £92,400 lower. The percentage change is based on management's assessment of reasonable possible fluctuations.

Interest rate risk

The Group is not exposed to any significant interest rate risk as borrowings are obtained at fixed rates.

Other market price risk

The Group is not exposed to any other significant market price risks.

22 Financial instruments (continued)

(c) Credit risk management

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

The Group's principal financial assets, other than business assets, are trade and other receivables and cash and cash equivalents. These represent the Group's maximum exposure to credit risk in relation to financial assets.

	Group		*Company*	
	Year ended 31 March 2022 £'000	**Year ended 31 March 2021 £'000**	**Year ended 31 March 2022 £'000**	**Year ended 31 March 2021 £'000**
Trade and other receivables	4,075	1,688	4,276	2,069
Cash and cash equivalents	13,857	12,668	13,592	12,277
Short term investments	1,500	-	1,500	-
	19,432	14,356	18.368	14,346

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The balance presented in the balance sheet is net of allowances for doubtful receivables and returns, estimated by the Group's management based on prior experience and their assessment in the current economic climate. No adjustment has been estimated for the allowance for credit loss.

The Group's main concentration of credit risk relates to where a credit risk management approach is employed, including strict retention of title, customer stock holding visibility and the use of credit insurance.

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

The expected credit loss for trade receivables as at 31 March 2022 and 31 March 2021 were determined as follows:

Days past due	**0**	**1-30**	**31-60**	**>60**	**Total**
2022					
Balance outstanding (£'000)	4,016	104	-	-	4,120
Historic loss rate	0%	0%	0%	0%	
Estimated credit loss provision	0.25%	1%	1.5%	2%	
Potential credit loss allowance (£'000)	10	1	-	-	11

Days past due	**0**	**1-30**	**31-60**	**>60**	**Total**
2021					
Balance outstanding (£'000)	910	46	32	-	988
Historic loss rate	0%	0%	0%	0%	
Estimated credit loss provision	0.25%	1%	1.5%	2%	
Potential credit loss allowance (£'000)	3	-	-	-	3

Due to the immaterial nature of the assessed credit risk, no provision has been recognised for 31 March 2022 or 31 March 2021.

22 Financial instruments (continued)

(c) Credit risk management (continued)

Cash

Cash is held with banks in the UK/US with high credit ratings and no financial loss due to the banks' failure to meet their contractual obligations is expected.

(d) Liquidity risk management

The Group manages liquidity risk through the monitoring of forecast cash flows and through the use of bank loans when required thereby maintaining sufficient liquid assets to fund its contractual obligations and maintain the ongoing development of the Group.

The table below provides an analysis of the Group's financial liabilities to be settled on a gross basis by relevant maturity categories from the balance sheet date to the contractual settlement date. The table includes both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

31 March 2022	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	Over 5 years £'000	Total liabilities £'000
Trade payables	924	-	-	-	924
Other payables	2,615	-	-	-	2,615
Lease liabilities	193	462	202	-	857
	3,732	462	202	-	4,396

31 March 2021	1 year or less £'000	1 to 2 years £'000	2 to 5 years £'000	Over 5 years £'000	Total liabilities £'000
Trade payables	944	-	-	-	944
Other payables	1,738	-	-	-	1,738
Lease liabilities	161	117	288	-	566
	2,843	117	288	-	3,248

23 Retirement benefits

Contributions by Group companies are charged to the income statement as an expense as they fall due. The amount recognised as an expense in relation to defined contributions plans was £250,504 (2021: £212,482).

24 Share based payments

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Charged to administration expenses:		
Equity settled share based payments	249	275
Cash settled share based payments	13	-
Total share based payments	262	275

During the year 1.9m share options were granted (2021: 2.7m). The fair value of share options granted has been estimated at the date of the grant using the Black-Scholes binomial model. The following table gives the assumptions made in arriving at the share based payment charge and the fair value:

	Year ended 31 March 2022	Year ended 31 March 2021
Options issued	1,917,000	2,650,000
Weighted average share price (pence)	118	51
Weighted average exercise price (pence)	118	48
Expected volatility (%)	77.2 - 105.2	61.0
Vesting period (years)	3-5	3-5
Option life (years)	10	10
Risk free rate (%)	0.02	0.02
Dividend yield (%)	1.0	1.0
Fair value at grant date (£'000)	1,071	598

During the year 0.1m share options were forfeited.

Equity options in issue at 31 March 2021	2,650,000
Equity options issued in the year	1,917,000
Equity options forfeited in the year	(92,065)
Equity options in issue at 31 March 2022	4,474,935

Expected volatility in the current year was determined by calculating the historical volatility of the Group's share price over the previous year, which the Board consider to be representative of future volatility.

For the year ended 31 March 2021, due to the relative immaturity of the Group's share history at reporting date, the volatility of comparable companies in the same industry was utilised in the determination of future volatility included within the model assumptions.

During the year 0.2m cash settled options were granted (2021: nil). The fair value has been measured at the reporting date using the Black-Scholes binomial model. Due to the proximity of the reporting date to the issue of equity settled share options granted, the model assumptions on volatility, risk free rate, and dividend yield used for the cash settled options do not materially differ from those in the table above.

	Year ended 31 March 2022	Year ended 31 March 2021
Options issued	150,500	-
Weighted average share price (pence)	117	-
Weighted average exercise price (pence)	117	-
Vesting period (years)	3-5	-
Option life (years)	10	-
Fair value at reporting date (£'000)	80	-

25 Group companies

Subsidiary undertakings	Country of registration or incorporation	Principal activity	% of direct shares held 2022	% of direct shares held 2021
Calnex Americas Corporation	USA	Sales and marketing Support services to Calnex Solutions plc	100%	100%

26 Called up share capital

As at 31 March 2022, the Company had 87,500,000 Ordinary Shares held at a nominal value of 0.125p.

	Group and Company Year ended 31 March 2022 £'000	Group and Company Year ended 31 March 2021 £'000
Ordinary shares of 0.125p each	109	109
On issue at the start of the financial year	109	25
Bonus issue of shares	-	50
Share options exercised	-	18
Shares issued	-	16
In issue at end of the financial year	109	109

27 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of Ordinary Shares in issue during the year.

Diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the total of the weighted average number of Ordinary Shares in issue during the year and adjusting for the dilutive potential Ordinary Shares relating to share options and warrants.

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Profit after tax attributable to shareholders	4,540	3,453
Weighted average number of ordinary shares used in calculating:		
Basic earnings per share	87,500	73,762
Diluted earnings per share	90,845	82,575
Earnings per share – basic (pence)	5.19	4.68
Earnings per share – diluted (pence)	5.00	4.18

28 Notes to the Statement of Cashflow

Reconciliation of changes in liabilities to cashflows arising from financing activities

	Lease liabilities £'000	Total £'000
Balance at 31 March 2021	566	566
Lease repayment	(203)	(203)
Interest payments	20	20
Total changed from financing cashflows	383	383
Acquisition of new lease	474	474
Total other changes	474	474
Balance at 31 March 2022	857	857

29 Share schemes

The company operates a number of share incentive plans on behalf of its employees, details of which can be found in the Remuneration Committee report. Included in these are the UK Share Incentive Plan and a cash settled phantom plan for Non-UK employees**:**

UK Employee Share Incentive Plan (UK SIP)

The UK SIP is an all-employee HMRC approved share plan open to employees based in the UK. Employees can elect to invest up to £150 each month (£1,800 per year), deducted from their gross salary, which is used to purchase shares at market value as "partnership" shares. The Company offers participants "matching" shares, which are subject to forfeiture for three years, on the basis of one free matching share for each partnership share purchased.

Non-UK Employee Incentive Plan

Under the SIP Plan, shares may only be awarded to UK based employees of the Group. As the Board also wanted to have the discretion to grant awards to contractors and overseas employees, it was necessary to set up a separate Non-UK Employee Incentive Plan under the rules of the Notional Plan (refer to the Remuneration Committee Report for more detail). This Plan acts as a non-tax advantaged shadow equity interest plan to the SIP, mirroring the SIP awards for overseas employees and contractors with equity ownership being replaced by cash settlement. The non-UK Employee Incentive plan is therefore available to employees in countries other than the UK, on a cash-settled basis. Employees can elect to save funds up to £150 each month (£1,800 per year), deducted from their pre-tax salary, for a 12-month period, and matched by the Group. In the cash settled model, these savings are then returned to the participant at the prevailing market share price at the end of the savings period, had the funds been used to purchase Calnex shares (returns being fully funded by the Group). Employees participating in this scheme during the period under review included those based in China, Hong Kong and India and the USA. The fair value assessment of this obligation at the year-end was £150,000 (2021: £70,000), and is included within other creditors.

30 Dividends

All dividends are determined and paid in Pound Sterling.

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Declared and paid in the year		
Interim dividend 2022: 0.28p per share	245	-
Proposed for approval at the AGM (not recognised as a liability at 31 March 2022)		
Final/Interim dividend 2022: 0.56p per share	490	-

The Directors are proposing a final dividend with respect to the financial year ended 31 March 2022 of 0.56p per share which will represent £490,000 of a dividend payment. The final dividend will be proposed for approval at the AGM and, if approved, will be paid at an agreed date shortly thereafter.

31 Post balance sheet events

On 11 April 2022, the Group acquired the entire share capital of iTrinegy Ltd and its wholly owned subsidiary company iTrinegy, Inc on a 'cash free, debt free' basis. The consideration comprises an initial cash payment of £2.5m, with up to a further £1.0m potentially payable in a combination of new ordinary shares in Calnex and cash (the "Earn-out Payment"). The Earn-out Payment is subject to the achievement of certain sales targets from iTrinegy products in the year to 31 March 2024. A maximum of 322,579 new shares will be issued under the Earn-out Payment. The initial cash payment of £2.5m has been financed entirely from available cash resources.

Given the proximity of the date of the acquisition to the date of signing of these accounts, the initial accounting for the business combination remains incomplete and the financial impact of the transaction is still to be fully calculated.

32 Alternative performance measures

The performance of the Group is assessed using a variety of performance measures, including APMs which are presented to provide users with additional financial information that is regularly reviewed by the Board of Directors. These APMs are not defined under IFRS and therefore may not be directly comparable with similarly identified measures used by other companies.

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Underlying EBITDA	6,351	5,496
Underlying EBITDA %	29%	31%
Adjusted profit before tax	5,973	5,068
Adjusted profit before tax %	27%	28%
Capitalised R&D	3,905	3,326
Adjusted basic EPS (pence)	5.19	5.83
Adjusted diluted EPS (pence)	5.00	5.21

Key performance measures:

- **Underlying EBITDA**: EBITDA after charging R&D amortisation, adjusted in comparative periods also to exclude IPO costs and IPO related share based payments
- **Adjusted profit before tax**: Adjusted in comparative periods to exclude IPO costs and IPO related share based payments
- **Adjusted basic & diluted EPS**: Adjusted in comparative periods to exclude IPO costs and IPO related share based payments and the tax effect of these adjustments. As a result of the Company's admission to AIM occurring halfway through FY21, the basic and diluted weighted average number of shares in issue in the prior year were 73,762,000 and 82,575,000 respectively, compared with 87,500,000 total share capital and 90,150,000 diluted share capital post IPO.

32 Alternative performance measures (continued)

Reconciliation of statutory figures to alternative performance measures – Income Statement

	FY22	FY21
	£000	£000
Revenue	**22,046**	**17,978**
Cost of sales	(5,518)	(4,013)
Gross Profit	**16,528**	**13,965**
Other income	648	530
Administrative expenses (excluding depreciation & amortisation)	(7,917)	(7,941)
EBITDA	9,259	6,554
Amortisation of development costs	(2,908)	(2,479)
Add back exceptional items:		
IPO costs	-	1,057
Issue of Free Shares on IPO under Share Incentive Scheme	-	166
Share based payments	-	198
Underlying EBITDA	**6,351**	**5,496**
Other depreciation & amortisation	(358)	(273)
Operating Profit	**5,993**	**5,223**
Finance costs	(20)	(155)
Adjusted profit before tax	**5,973**	**5,068**
Exceptional items	-	(1,421)
Profit before tax	**5,973**	**3,647**
Tax	(1,433)	(194)
Profit for the year	**4,540**	**3,453**