Registration number: 05303822

Technetix Group Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2023

Technetix Group Limited

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Technetix Group Limited

Company Information

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Company secretary	Mr. T W Plowman
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Strategic Report for the Year Ended 31 December 2023

The Directors present their strategic report for the year ended 31 December 2023.

HIGHLIGHTS

A record year with significant momentum in sales growth in the North American market

- Revenue increased 33% to £123.5m (2022: £92.8m)
- Gross profit increased 63% to £35.8m (2022: £22.0m)
- EBITDA (before exceptional items) increased £10.2m to £16.1m (2022: £5.9m)
- Profit before tax £9.4m (2022: loss of £1.6m)
- Significant pipeline of R&D investment resulting in many network upgrade wins with tier-one operators
- Americas revenue increased 282% to £62.6m (2022: £16.4m) reflecting growth outside of Europe.
- Free cashflow inflow of £8.1m (2022: outflow of £2.5m)
- Balance sheet resilient with net debt (excluding lease liabilities) reduced to £1.7m (2022: £7.9m)

CEO REVIEW

Highlights

- Continuing extensive global deployment of the DBx broadband smart access platform. DBx gives customers shorter installation times, lower power consumption, higher reliability, and a future path to upgrades.
- Launched and started mass production of the DBT 1.8 GHz One-TouchTM smart platform enabling easy DOCSIS 4.0 roll out with plug-in modules to major legacy access platforms. DBT gives the game-changing benefit of fast installation times through automatic set up plus key differentiations of lower power consumption and higher reliability than previous generations and competitor products.
- Continued growth in sales of the now well-established XGT and OTTZ 1.8GHz DOCSIS 4.0-ready multitap products. Commencement of mass production of XFO legacy housing 1.8GHz plate upgrade.
- Commencement of field trials of the mini-rOLT XGS-PON 10G fiber optical line terminal.
- Successful field trials of the ASPx Access Smart Powering solution, for reducing cable plant electrical power consumption by 30%.
- Market-leading broadband technology widely recognized during 2023 including:
    - Triple Diamond Technology Awards for the fifth successive year with Broadband Technology Report. This included the following three products: the XFO 1.8 GHz legacy multitap faceplate upgrade (awarded top honoree score of 5 diamonds), the ASP-72 Access Smart Powering system (awarded 4.5 diamonds) and NeuronXTM the AI powered network management and diagnostics system (awarded 4 diamonds).
    - Light Reading Leading Lights Award in the Most Innovative Cable Network Technology category for the revolutionary drop-in One Touch™ DBT amplifier range offering operators 60% more data throughput and up to 35% upgrade cost savings. The system offers a standardized solution to upgrade all common industry access equipment types with a common system with uniform training.
- Awarded the EcoVadis Silver Medal for the second successive year in recognition of Group-wide sustainability performance. Silver is awarded to the top 25% of companies assessed. The Group's improved score this year places it within the top 6% of all companies rated including being rated in the top 2% for ethics.

BUSINESS OVERVIEW

Technetix offers an extensive range of broadband cable HFC (hybrid fiber coax) access equipment, fiber to the premises (FTTx) wireline fixed infrastructure technologies and wireless Wi-Fi/4G-5G-mobile gateway and x-haul solutions to allow its telecommunications customers to build and optimize their existing core assets.

Headquartered in the UK, with an extensive sales and operations network across Europe, Americas, Africa and Asia Pacific, the Group sells products to over 70 countries around the world, earning it a reputation for excellence and reliability. Technetix is a market leader in the enhancement of wireline fixed and wireless broadband networks globally. Technetix supports this with a CTO office, R&D, product management and quality operations in UK, Netherlands, USA, Canada, Belgium, Germany, China, Taiwan and Chile keeping the Group at the leading edge of state-of-the-art new product development and knowledge of the global broadband telecommunications market.

The Group has a total of 126 patents, 41 registered designs and 71 trademarks (all granted or applied for) protecting its extensive intellectual property (IP). The IP gives Technetix extensive technical differentiation in the markets in which it operates, giving the Group competitive advantage.

Technetix has manufacturing facilities both in-house in Peterborough, Ontario, Canada and multiple outsource engineering manufacturing service (EMS) partners in Taiwan and China, giving the Group one of the largest production capacities for access equipment in the cable industry. The Group also has in-house repair and configuration facilities in Zaragoza, Spain and Peterborough, Ontario, Canada, and outsourced repair facilities in Chicago, Illinois, USA. All the companies manufacturing facilities are accredited to the ISO9001 quality assurance standard; the Group is accredited to the ISO 14001environmental management system standard; and accredited to the ISO27001 information security management system (ISMS).

Market overview
Broadband networks are evolving rapidly to meet the demand of consumers who want to work, game, download and stream across multiple devices when it suits them, and more importantly, at a quality of service they expect. To cope with this demand, operators are investing heavily in their networks to ensure that they can meet the demands of today but are prepared for the demands of the future. It remains an exciting industry to operate within, with significant opportunities.

Strategy overview
The Group's mission is to focus on developing and delivering critical broadband infrastructure for network operators globally. Integrated solutions which maximize the performance of new and existing networks, while decreasing capital cost and long-term total cost of ownership for our network customers over the long term.

Looking into future years, the outlook for the market in Europe is technologically divergent into two groups.

The first group is the expected continued extensive development and expansion of cable HFC systems in Netherlands, Belgium and Germany where network upgrades are considerably cheaper than FTTx upgrades and the competition in the market is driving network capacity investments in space where Technetix has increasing market share, capitalizing on the financial weakness of competitors. The development of new FTTx in these markets has particularly high cost due to the lack of underground ducting.

The second group is dominated by the development and expansion of FTTx systems in UK, Ireland, France, Spain, Portugal, and Eastern Europe where the building of fiber networks is cheaper due to existing underground ducts, lower labor costs or high prevalence of MDUs (multiple dwelling units or apartment buildings).

Technetix operates in the broadband cable, fiber to the premises and wireless markets as outlined below.

Broadband Cable
Technetix is the market leader in network access equipment for cable networks using HFC (hybrid fiber coax) technology. The Group is developing its technology roadmap to extend the lifetime and reduce the operating costs of current broadband infrastructures beyond the currently used CableLabs DOCSIS 3.1 standard to enable the next generation system, the DOCSIS 4.0 standard. The Group works on solutions integrating the cable systems with mobile networks. With most of the assets of a broadband cable operator currently invested in HFC, most operators globally follow a *cap and grow* strategy – which is keeping and improving the capabilities of existing HFC infrastructure while investing in FTTx for new network coverage. The alternative is *rip out and replace* which might be the 'shiny' technological strategy for operators this often has little or no financial return where HFC is capable of network speeds up to 10GB now and is well recognized to be up to 100GB capable in the future.

Technetix is ready to support its customers' existing network capabilities to allow them to be stretched to match the performance of competitive fiber systems for many years to come. In 2023 the Group was part of a successful field trial of 17GB DOCSIS4.0 technology over the VodafoneZiggo network in Netherlands using its DNN 1.8 GHz access amplifiers and 1.8 GHz passive products. This is effectively twice the speed of XGS-PON, the latest FTTX technology which has an effective transmission capacity of 8GB.

Technetix DOCSIS 4.0 capable products have started selling with 1.8 GHz amplifiers, multitaps and line passives having already commenced mass production.

Cable HFC networks are continuing to move away from a centralized network infrastructure in traditionally space-limited, high cost headends, towards distributed access technologies that can be supported remotely by embedded software. The Broadband Technology Report estimates that the release of the 'smart amp' will reduce the needed inventory on service trucks by as many as 50 devices: providing significant cost saving opportunities for operators. Technetix currently offers these distributed access architectures with multiple third party RPDs (remote PHY devices).

The Group through the acquisition in 2022 of Lindsay Broadband expanded its product range into cable MDU solutions and significantly expanded its market penetration in Canada, USA and Latin America. The Group also expanded its product range to include network power products with both standby and non-standby capabilities for cable networks. The Group has further developed and patented the ASPx innovative Access Smart Powering system that allows I^2R transmission cable losses to be reduced significantly and result in 25 to 30% electrical power opex savings. This system has been successfully demonstrated to customers on field trials with a number of tier-one operators and is expected to go into mass production in 2024.

Technetix Product Development beyond the Broadband Cable Market
Whilst the Group will continue to invest to maintain its position within cable, a key strategic focus is to grow its expertise and status into the broader fiber and wireless broadband markets.

Fiber Networks
The Group has developed a comprehensive range of products to address the FTTx market. These include the unique mini-rOLT (remote optical line terminal) and a comprehensive range of fiber connectivity and passive terminal products. The products address all fiber markets and the mini-rOLT is particularly unique with its very compact size for rural fiber, metro greenfield fiber infills, and fiber overlay capacity handoff applications overlaying existing cable networks.

In greenfield sites fiber deployment is generally being selected over traditional cable HFC technology achieving lower capital cost and opex that an all-fiber network can deliver.

In metro residential areas overbuilding with fiber is expensive and many operators have opted to continue to follow DOCSIS 4.0 with Distributed Access Architecture (DAA) to extend their network capabilities to equivalent performance such as Comcast, Charter and Cox (USA), Vodafone (Germany), Ziggo (Netherlands) and Claro (Brazil). There are however exceptions; Altice (USA) and Virgin Media (UK) are investing significantly in overbuilding and deploying full fiber to get ahead of the competition.

Wireless
There is also the exciting growth market of wireless and mobile gateways and the associated backhaul which is the convergence between mobile and fixed broadband networks. Technetix had a major breakthrough into this market with Virtual Segmentation five years ago and has since released a mobile backhaul ready product, Virtual Fiber, an integrated hardened compact carrier ethernet switch.

Through being able to offer its customers a greater range of products and being able to appeal to new customers in new markets, the Group offers network operators the ability to future-proof their revenue streams, optimizing their investment.

The acquisition of Lindsay Broadband in 2022 added wireless and mobile gateways which are already being sold to network operators in the United States, Canada and Latin America.

Consultancy, Maintenance and Support Services
Technetix in recent years has sought to offer a complete package of support services for extended break-fix extended warranty repairs of existing supplied systems, and for supporting and upgrading firmware and system software to meet new needs and applications from customers. The Group is also monetizing network design and upgrade strategy consulting.

Acquisitions
The Group over its history has successfully acquired and integrated ten companies over the last twenty years and the Group continues to review opportunities and will acquire where it believes strategic value can be created. The Group is pursuing a number of major strategic and tuck-in opportunities.

Dividends
An interim dividend of 112 pence per share was paid in December 2023. The Board has approved a full year dividend in 2023 of 223 pence per share (2022: 65 pence per share). The final dividend will be payable in June 2024. In line with the accounting standards, the final dividend is not included in these financial statements.

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

Outlook
Technetix is a market leader with a world-class portfolio of leading broadband technology solutions and significant growth opportunities in a market that offers exciting prospects. The Group’s mission is to focus on developing and delivering critical broadband infrastructure for network operators globally. Integrated solutions which maximize the performance of new and existing networks, while decreasing capital cost and long-term total cost of ownership for our network customers over the long term.

The Directors’ view the future development of the Group with optimism.

FINANCIAL REVIEW

The Group has delivered a record year in terms of financial performance with revenue of £123.5m, EBITDA of £16.1m and profit before tax of £9.4m significantly increased on the prior year, as the Group benefited from major sales wins in the Americas of its latest network products.

The additional free cash flow generated in year was used to accelerate our R&D program of new products, reducing our net debt position and reward our shareholders with an increased full year dividend.

£'000	Note	2023	2022	Change
Revenue		123,503	92,829	33.0%
Gross profit		**35,801**	**21,951**	**63.1%**
Research & Development expenses		(3,548)	(3,220)	10.2%
Sales & General Administrative costs		(16,129)	(12,831)	25.7%
EBITDA[1] (excluding exceptional items)		**16,124**	**5,900**	**173.3%**
EBITDA margin		*13.1%*	*6.3%*	
Depreciation and amortization	6	(5,683)	(4,954)	14.7%
Exceptional costs	6	(4)	(1,095)	(99.6%)
Operating profit / (loss)		**10,437**	**(149)**	**n/a**
Net finance costs	8	(1,064)	(1,416)	24.9%
Profit / (loss) before tax		**9,373**	**(1,565)**	**n/a**
Taxation (expense) / credit	11	(857)	108	n/a
Profit / (loss) after tax		**8,516**	**(1,457)**	**n/a**

Note 1: defined within the Alternative performance measures accounting policy

Revenue was £123.5m (2022: £92.8m), an increase of 33% on prior year, a result of increased sales volumes in the Americas with revenue in the region of £62.6m (2022: £16.4m) up by 282% on prior year. The acquisition of Lindsay Broadband Inc in 2022 has resulted in the successful addition of several new Latin American customers. Revenue in Europe has decreased to £58.8m (2022: £72.7m) following the exit of the distribution business in Ireland and reduction in several other EU countries.

The focus of the Group has been redirected on higher margin strategic network systems rather than technical components which has been triggered by the fall in cable broadband infrastructure capex investment in the UK, Netherlands, Spain and Germany in 2023.

Forward orders at the end of 2023 of £43.1m (2022: £36.7) increased by 17% due to new product approvals in the North American market (USA and Canada) accelerating new orders with existing and new customers.

Group gross profit of £35.8m (2022: £22.0m) rose by 63% due to improved pricing on new products and a reduction in sea freight costs. Most of the Group's purchases are made in US dollars. The Group sought to reduce its exposure by hedging some of its US dollar requirements using forward contracts to mitigate a proportion of the net exposure of the Group.

Operating profit £10.4m was up on prior year (2022: loss of £0.1m). This was driven by increased gross margin and decreased sales and administrative expenses as a percentage of revenue.

Research and development expenses of £3.5m increased by 10% on the prior year (2022: £3.2m). This was driven by investment in additional engineering headcount 43 (2022: 40) and product testing costs.

Total research and development costs (including capitalized development costs) was £6.3m (2022: £5.7m), an increase of 13%. This increase was principally in relation to three factors: cable HFC access product development and testing for Americas market; an increased investment in software and fiber development in Europe and Latin America; and integration of the Lindsay Broadband, Canada (now Technetix-Canada) fiber research and development team. The Board views this as critical investment to accelerate its competitive advantage and future growth plans. Total R&D spend as a percentage of revenue was 5.1% (2022: 6.1%).

Sales and General Administrative expenses during the year were £16.1m (2022: £12.8m), a decrease as a percentage of revenue at 13.1% (2022: 13.8%). The overall increase was driven by a combination of higher pay increases across the Group in response to wage inflationary pressure, a change to a more highly skilled mix of employees, investment for further growth in the Americas market, and the product development of FTTx and wireless networks. These increases were offset by a favorable forex revaluation gain of £0.5m (2022: loss of £0.7m); tighter control of overhead spend, which included less travel due to greater use of video conferencing rather than face-to-face meetings; and investments in back-office systems and processes to increase the level of productivity. In 2023:

EBITDA before exceptional costs was £16.1m (2022: £5.9m), a 173% increase on prior year. EBITDA margin increased to 13.1% against prior year of 6.3%; this is generated through improved gross and operating profit margins.

Depreciation and amortization costs increased by £0.7m to £5.7m (2022: £5.0m).

Exceptional costs of £4k (2022: £1.1m) included offsetting exceptional costs of £1.59m from restructuring and exceptional credit of £1.58m from contingent consideration acquisition criteria not being met. In prior year, exceptional costs related to professional fees on acquisition and employee restructuring costs.

Operating profit £10.4m (2022: loss of £0.1m).

Net finance costs of £1.1m (2022: £1.4m) have decreased by 24.9%, driven by higher interest costs offset by favorable fair value adjustment on foreign exchange and warrants.

Taxation expenses of £0.9m (2022: credit of £0.1m) creates an effective tax rate of 9.1% after utilization of brought forward tax losses. Refer to note 11 of these financial statements for further detail.

Profit after tax of £8.5m has increased on prior year (2022: loss of £1.5m).

Earnings Per Share

	2023	2022
Earning attributable to shareholders (£m)	8,516	(1,457)
Basic weighted average number of shares (millions)	721,456	721,456
Basic earnings / (loss) per share (£)	11.80	(2.02)

Basic earnings per share £11.80 (2022: loss of £2.02) excludes dilution from warrants and shares held by the Employee Benefit Trust.

An interim dividend of £1.12 per share was paid in December 2023. The Board is recommending a full year dividend in 2023 of £2.23 per share (2022: £0.65 per share). The final dividend will be payable in June 2024. In line with accounting standards, the final dividend has not been recorded in these financial statements.

Free Cash Flow
Free cash inflow of £8.1m was £10.6m higher than prior year (2022: outflow of £2.5m).

£'000	**2023**	**2022**	**Change**
Operating profit(loss)	**10,437**	**(149)**	**n/a**
Depreciation and amortization	5,683	4,954	(14.7%)
Exceptional items	4	1,095	n/a
EBITDA	**16,124**	**5,900**	**173.3%**
Working capital movements	(2,186)	(3,924)	44.3%
Capital expenditure	(4,017)	(3,195)	(25.7%)
Lease payments	(941)	(786)	(19.7%)
Taxation	(860)	(520)	65.3%
Free cash flow	**8,120**	**(2,525)**	**n/a**

Working capital movements were significantly impacted by timing and delivery of orders around year end as many of our customers are either in the Americas or Europe and our supply chain is predominantly in Asia. This creates a time lag between cash receipt and payment, from when the order is placed and then delivered.

Other liabilities within working capital movement includes a £1.6m of COVID-19 government tax deferrals (2022: £1.7m) payable. During the year, the business repaid £0.3m of these deferrals (2022: £0.3m); the remaining balance is repayable to the Dutch Tax Authority in equal instalments to 2027.

Capital expenditure of £4.0m (2022: £3.2m) includes £1.1m (2022: £0.6m) of property, plant, and machinery, and £2.9m (2022: £2.6m) of capitalized development costs and patents.

Taxation cash payments of £0.9m (2022: £0.5m) increased as profits rose across various tax jurisdictions.

Net Debt
Net debt reduced to £1.7m (2022: £7.9m).

£'000	**2023**	**2022**
Opening Net (Debt) / Funds[1]	**(7,903)**	**10,868**
Free cash flow	8,120	(2,525)
Exceptional cash items	(759)	(1,095)
Net interest and fees	(1,768)	(1,416)
Acquisition of subsidiaries	-	(12,242)
Dividend paid	(1,189)	(605)
Other (including foreign exchange)	1,758	(888)
Closing Net (Debt)/ Funds[1]	**(1,741)**	**(7,903)**

Note 1: Net debt/ (funds) excludes lease liabilities.

Exceptional cash costs of £0.8m (2022: £1.1m) comprise restructuring costs in year and settlement of fees incurred in relation to the acquisition in 2022.

Net interest and fees of £1.8m (2022: £1.4m) increased as interest costs rose to be offset by lower drawdown of revolving credit facility during the year.

Acquisition of subsidiaries £nil (2022: £12.2m). Prior year includes initial consideration on acquisition of Lindsay Broadband Inc.

Dividend paid £1.2m (2022: 0.6m).

The Group drew down a loan in 2022 to fund the acquisition of Lindsay Broadband Inc. The loan was for €18m on a five-year term, with an additional revolving credit facility (RCF) of £5m. At year end £14.2m (2022: £15.5m) of the acquisition, loan was outstanding, the RCF was undrawn (2022: undrawn) and there was cash balance of £12.5m (2022: £7.6m). The Group's bank covenants were all met at year end.

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

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

As required by the standard, the Group has undertaken sensitivity testing on its future forecasts by applying downside assumptions to establish a plausible but severe scenario. The downside sensitivities testing was performed on a 12-month basis from the financial statements signing date, being the period to March 2025. Within the most plausible but severe downside model, assuming the business does not deliver on its new product release expectations, the Group is forecast to be profitable and there is adequate headroom in all the Group's banking covenants.

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

PRINCIPAL RISKS AND UNCERTAINTIES

There are several risks and uncertainties which could impact the Group's long-term performance. This includes the same general risks and uncertainties that impact any other business, for example, the impact of changes in the general economic conditions, including currency and interest rate fluctuations and the impact of competition, natural disasters, sourcing and availability of materials and key components.

Outlined below is a description of the principal risks and uncertainties that are specific to the business. The Board conduct regular risk review to establish the likelihood and impact of the risks assessed to the Group. Not all these factors are within the Group's control. There may also be other risks and uncertainties which are unknown to the Group, or which may not be material now but could turn out to be material in the future.

Principal risk description	Mitigating actions and assurance	Change since last reported
Customer concentration The Group's business, consistent with the rest of the industry, comes primarily from a few tier-one customers. The loss of or significant reduction in sales to one of these customers would have a materially adverse effect on the business.	The Group's strategy is to maintain a strong strategic relationship with these customers as we grow the business with new customers to mitigate this risk. The geographic expansion in the Americas is supporting this strategy. In addition, Liberty Global Ventures, the investment arm of Liberty Global, one of the Group's biggest customers, has a strategic investment in the Group, underlining the strength of the ties between the two businesses. Many of the Group's large customers, although having common shareholders, operate very autonomously as they are joint ventures with independent shareholders and arm's length corporate governance.	No change
Business interruption The Group outsources manufacture of its key products to trusted partners in Southeast Asia. If one of these suppliers were to be lost or significantly impacted by unforeseen issues (such as a natural disaster or a significant deterioration in the wider geopolitical environment) it could have a materially adverse effect on the business.	The Group's strategy is to have second source suppliers for all key products, across different regions where feasible. This is an ongoing review, and one of the Group's key aims is to further widen the supply chain, building in resilience and more sourcing options, where this is deemed to be operationally feasible.	No change
Key component shortage Component shortages result in extended lead times and increased costs of supply.	The Group has extensive experience of managing complex global supply chains in its 34-year history and has successfully managed previous disruptions, component shortages and sudden changes to product pricing. The business works with its supply and freight partners closely in creating mitigation plans to ensure it can, as far as possible, safeguard continued supply and manage pricing.	No change

Foreign Exchange As an international business the Group is exposed to foreign currency exchange risks, particularly against the US dollar and Euro. Adverse foreign exchange movements can result in a deterioration in the level of profitability and impacts on the Group's ability to execute its strategies.	Forward contracts are used to hedge exposure and reduce the risk of instability. Growth in the Americas has contributed to over 50% of the Group's business in 2023, reducing the FX risks by the natural hedge effect of buying and selling in US dollars.	No change
Product defects Defective products and adverse implications resulting from defects could result in significant expenditure to repair or replace defective products. Relationships and reputation with customers could be adversely affected which may result in deterioration in the level of profitability and lost future business opportunities, impacting the Group's ability to execute its strategies.	Rigorous quality testing procedures are in place to identify defects, compatibility issues or non-compliance with applicable customer or industry standards. The Group has independent quality engineering independently qualify all products. The Group also runs quality engineering in Southeast Asia based in China and Taiwan to independently assure quality levels are met in mass production.	No change
Intellectual property Competitive advantage and potential loss to reputation through misuse of intellectual property by competitors.	Patent, registered design and trademark protection is in place on all key intellectual property. A zero-tolerance approach to infringements by competitors is taken. Infringements are pursued with action, including through the courts as required.	No change

FINANCIAL INSTRUMENTS

Objectives and policies

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

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

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

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

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

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

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

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

SUSTAINABILITY REPORT

The Group has a sustainability strategy which aims to address their direct environmental, social and governance impacts and to support network operators to improve their sustainability performance.

Initiatives include reducing global scope 1 & 2 greenhouse gas emissions, eliminating waste and single-use plastic, reducing product social and environmental lifecycle impacts, and driving environmental, social, and ethical standards into the supply chain. Policies and employee training on ESG topics have been implemented across the Group.

Technetix is a participant in the UN Global Compact, demonstrating their commitment to operate responsibly, in alignment with universal sustainability principles. The Technetix sustainability strategy is focused on four key pillars:

- Environment – We prioritize environmental sustainability by implementing practices to minimize our carbon footprint, reduce waste, and conserve resources.
- People and communities – We invest in our workforce by fostering an inclusive, safe, and supportive workplace, and providing opportunities for growth and development. Additionally, we actively support communities and charities to make a positive impact where we operate.
- Responsible business - We uphold high standards of integrity, transparency and compliance in all aspects of our business dealings. From supply chain management to corporate governance, we are dedicated to conducting business responsibly and ethically.
- Products and solutions - We continually invest in research and development to create cutting-edge technology that not only meets the needs of our customers but also minimizes environmental impact. By pioneering new solutions, we strive to contribute to the sustainable networks of the future.

In 2023, Technetix set 2030 carbon reduction targets through the Science-Based Targets Initiative (SBTi), reduced Group-wide scope 1 & 2 market-based emissions by 37% (vs 2019 base year), continued to tackle single-use plastic, published their first annual sustainability report, and were awarded a Silver rating by EcoVadis, the international sustainability ratings platform, for the second year running. Added to this, new product developments such as flexi-split and Access Smart Powering (ASP) technology help customers to achieve their emissions reduction targets by reducing energy consumption and truck rolls.

In order to continue to drive improvement and ensure readiness for EU Corporate Social Responsibility Directive (CSRD) Technetix has established a cross-functional sustainability committee and is embarking on a double materiality assessment. This will ensure the Group is focusing and disclosing on the most impactful sustainability topics. Technetix has also contracted with a cloud-based supply chain monitoring platform to monitor and improve ESG standards and compliance throughout the supply base, as well as engage suppliers in initiatives such as emissions reduction.

Streamlined Energy and Carbon Reporting (SECR)

The Group has followed the Streamlined Energy and Carbon Reporting (SECR) guidelines. The Group has also used the GHG Reporting Protocol - Corporate Standard and have used the 2023 UK Government's Conversion Factors for Company Reporting.

Intensity measurement

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

Measures taken to improve energy efficiency

The Group continues to source its UK energy from renewable sources. Energy consumption has been reduced through changing to LED lighting, updating heating, and cooling systems, and developing IT infrastructure. Technetix also promotes policies to support remote working and virtual meetings thereby reducing travel.

UK Energy and Carbon Use

	2023	2022
Energy consumption used to calculate emissions (kWh)		
Energy consumption	185,703	184,947
Emissions in metric tons (CO_2e)		
Electricity consumption	33,671	38,342
Fuels	992	1,324
Business mileage	4,477	3,279
Total gross emissions in metric tons CO_2e	39,140	42,945
Intensity ratio		
Tons CO_2e per FTE	936	761

Employee involvement

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

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

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

Charitable donations

During the year, the Group made charitable donations of £19k (2022: £24k), with a focus on local charities and international appeals.

PA Broadhurst

Mr. P A Broadhurst
Director

Directors' Report for the Year Ended 31 December 2023

The Directors present their report and the consolidated financial statements for the year ended 31 December 2023.

Other statutory disclosures

In accordance with section 414C (11) of the Companies Act certain requirements of the Directors' Report, including the amount that the Directors recommend should be paid by way of dividend, financial risk management, future developments, research and development, Greenhouse Gas Emissions, Energy Consumption and Energy Efficiency, are not included within the Directors' Report as they are shown in the Strategic Report.

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

Mr. P A Broadhurst	
Mr. R Bell	(resigned 28 November 2023)
Mr. D J Ariesen	
Mr. D J McIntyre	
Mr. J H Brougham	
Dr. C Büchner	
Mr. P J Deakin	(appointed 30 January 2024)

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

Principal risks and uncertainties

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

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

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

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006
The Board of Directors of Technetix Group consider, both individually and together, that they have acted in the way they consider in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2023 and in creating future business plans ('our plans'):

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

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

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

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

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

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

Auditor

RSM UK Audit LLP were appointed as auditor to the Group and Company and arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Disclosure of information to the auditor

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

Approved by the Board on ...15 March... 2024 and signed on its behalf by:

DocuSigned by:

PA Broadhurst

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Mr. P A Broadhurst
Director

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. The directors have elected under company law to prepare the group financial statements in accordance with UK-adopted International Accounting Standards and to prepare the company financial statements in accordance with UK-adopted International Accounting Standards and applicable law.

The group and company financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position of the group and the company and the financial performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing each of the group and company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK-adopted International Accounting Standards; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

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

Opinion

We have audited the financial statements of Techentix Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2023 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows, company statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted International Accounting Standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

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

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

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

The extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.
In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are IFRS / UK-adopted IAS, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, and evaluating advice received from external tax advisors.

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

The group audit engagement team identified the risk of management override of controls and revenue cut-off as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, and testing revenue transactions entered into either side of the year-end.

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

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

RSM UK Audit LLP

....
Jonathan Da Costa FCCA (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants
One London Square
Cross Lanes
Guildford
Surrey
GU1 1UN

.15 March……... 2024

Consolidated Income Statement for the Year Ended 31 December 2023

	Note	31 December 2023 Before Exceptional Items £ 000	31 December 2023 Exceptional Items (Note 6) £ 000	31 December 2023 £ 000	31 December 2022 £ 000
Revenue	5	123,503	-	123,503	92,829
Cost of sales		(87,702)	-	(87,702)	(70,878)
Gross profit		35,801	-	35,801	21,951
Administrative expenses		(25,360)	(1,586)	(26,946)	(22,100)
Fair value adjustment on contingent consideration	16	-	1,582	1,582	-
Operating profit/(loss)	6	10,441	(4)	10,437	(149)
Finance costs (net)	8	(1,064)	-	(1,064)	(1,416)
Profit/(loss) before tax		9,377	(4)	9,373	(1,565)
Income tax (expense)/credit	11	(857)	-	(857)	108
Profit/(loss) for the year		8,520	(4)	8,516	(1,457)
Profit/(loss) attributable to:					
Owners of the Company		8,520	(4)	8,516	(1,457)

The above results were derived from continuing operations.

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2023

	31 December 2023 £ 000	31 December 2022 £ 000
Profit/(loss) for the year	8,516	(1,457)
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation gains/(losses)	285	(977)
Total comprehensive income/(expense) for the year	8,801	(2,434)
Total comprehensive income/(expense) attributable to:		
Owners of the Company	8,801	(2,434)

The notes on pages 26 to 53 form an integral part of these financial statements.

(Registration number: 05303822)
Consolidated Statement of Financial Position as at 31 December 2023

	Note	31 December 2023 £ 000	31 December 2022 £ 000
Assets			
Non-current assets			
Intangible assets	14	31,877	33,669
Property, plant and equipment	12	1,604	1,377
Right-of-use assets	13	3,084	3,341
Trade and other receivables	18	887	-
		37,452	38,387
Current assets			
Inventories	17	16,108	19,166
Trade and other receivables	18	10,722	11,240
Income tax asset		502	192
Cash and cash equivalents	19	12,488	7,641
Derivative financial instruments	24	65	194
		39,885	38,433
Total assets		77,337	76,820
Equity and liabilities			
Equity			
Share capital	25	7	7
Share premium		6,637	6,637
Foreign currency translation reserve		750	465
Share-based payment reserve		729	168
EBT reserve		(601)	(601)
Retained earnings		18,230	10,903
Equity attributable to owners of the Company		25,752	17,579
Non-current liabilities			
Deferred tax liabilities	11	1,528	1,221
Borrowings	21	13,206	14,497
Provisions	22	33	26
Lease liabilities	23	2,803	3,165
		17,570	18,909
Current liabilities			
Trade and other payables	20	31,442	37,380
Borrowings	21	1,023	1,047
Provisions	22	646	590
Lease liabilities	23	865	817
Derivative financial instruments	24	39	498
		34,015	40,332
Total liabilities		51,585	59,241
Total equity and liabilities		77,337	76,820

Approved by the Board on 15 March 2024 and signed on its behalf by:

DocuSigned by:

PABroadhurst

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Mr. P A Broadhurst
Director

The notes on pages 26 to 53 form an integral part of these financial statements.

(Registration number: 05303822)
Company Statement of Financial Position as at 31 December 2023

	Note	31 December 2023 £ 000	31 December 2022 £ 000
Assets			
Non-current assets			
Intangible assets	14	-	-
Property, plant and equipment	12	-	-
Deferred tax assets	11	746	21
Investments in subsidiaries	15	16,722	16,722
		17,468	16,743
Current assets			
Trade and other receivables	18	9,751	13,115
Cash and cash equivalents	19	97	204
Derivative financial instruments	24	65	194
		9,913	13,513
Total assets		27,381	30,256
Equity and liabilities			
Equity			
Share capital	25	7	7
Share premium		6,637	6,637
Share-based payment reserve		729	168
EBT reserve		(601)	(601)
Retained earnings		6,252	7,345
Total equity		13,024	13,556
Non-current liabilities			
Borrowings	21	13,206	14,497
Current liabilities			
Trade and other payables	20	128	1,156
Borrowings	21	1,023	1,047
		1,151	2,203
Total liabilities		14,357	16,700
Total equity and liabilities		27,381	30,256

The profit for the financial year of the Company was £96k (2022: £2,131k loss).

Approved by the Board on 15 March 2024 and signed on its behalf by:

DocuSigned by:
PA Broadhurst
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Mr. P A Broadhurst
Director

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2023

	Share capital £ 000	Share premium £ 000	Foreign currency translation £ 000	Share-based payment reserve £ 000	EBT reserve £ 000	Retained earnings £ 000	Total equity £ 000
For the year ended 31 December 2022:							
At 1 January 2022	7	6,637	1,442	210	(601)	12,965	20,660
Loss for the year	-	-	-	-	-	(1,457)	(1,457)
Other comprehensive expense	-	-	(977)	-	-	-	(977)
Total comprehensive expense	-	-	(977)	-	-	(1,457)	(2,434)
Transactions with owners:							
Dividends	-	-	-	-	-	(605)	(605)
Share-based payment transactions	-	-	-	(42)	-	-	(42)
At 31 December 2022	7	6,637	465	168	(601)	10,903	17,579
For the year ended 31 December 2023:							
Profit for the year	-	-	-	-	-	8,516	8,516
Other comprehensive income	-	-	285	-	-	-	285
Total comprehensive income	-	-	285	-	-	8,516	8,801
Transactions with owners:							
Dividends	-	-	-	-	-	(1,189)	(1,189)
Share-based payment transactions	-	-	-	561	-	-	561
At 31 December 2023	7	6,637	750	729	(601)	18,230	25,752

The notes on pages 26 to 53 form an integral part of these financial statements.

Company Statement of Changes in Equity for the Year Ended 31 December 2023

	Share capital £ 000	Share premium £ 000	Share-based payment reserve £ 000	EBT reserve £ 000	Retained earnings £ 000	Total £ 000
For the year ended 31 December 2022:						
At 1 January 2022	7	6,637	210	(601)	10,081	16,334
Loss for the year	-	-	-	-	(2,131)	(2,131)
Total comprehensive expense	-	-	-	-	(2,131)	(2,131)
Transactions with owners:						
Dividends	-	-	-	-	(605)	(605)
Share based payment transactions	-	-	(42)	-	-	(42)
At 31 December 2022	7	6,637	168	(601)	7,345	13,556
For the year ended 31 December 2023:						
Profit for the year	-	-	-	-	96	96
Total comprehensive income	-	-	-	-	96	96
Transactions with owners:						
Dividends	-	-	-	-	(1,189)	(1,189)
Share based payment transactions	-	-	561	-	-	561
At 31 December 2023	7	6,637	729	(601)	6,252	13,024

The notes on pages 26 to 53 form an integral part of these financial statements.

Consolidated Statement of Cash Flows for the Year Ended 31 December 2023

	Note	31 December 2023 £ 000	31 December 2022 £ 000
Cash flows from operating activities			
Profit/(loss) for the year		8,516	(1,457)
Income tax expense/(credit)	11	857	(108)
Profit/(loss) before income tax		9,373	(1,565)
Adjustments to cash flows from non-cash items:			
Amortisation	14	4,037	3,546
Depreciation on owned assets	12	826	604
Depreciation on right-of-use assets	13	820	804
Loss on disposal of property plant and equipment	6	40	37
Loss on disposal of intangible fixed assets	6	63	-
Fair value movements on forward foreign exchange contracts	6	(459)	687
Unrealised foreign exchange loss/(gain)		1,211	(977)
Share based payment charge		110	(120)
Finance costs	8	1,064	1,416
		17,085	4,432
Decrease/(increase) in inventories	17	3,058	(7,343)
Increase in trade and other receivables	18	(295)	(1,862)
(Decrease)/increase in trade and other payables	20	(5,012)	5,297
Increase/(decrease) in provisions	22	63	(16)
Cash generated from operations		14,899	508
Income taxes paid		(860)	(520)
Net cash flow generated from/(used in) operating activities		14,039	(12)
Cash flows from investing activities			
Purchase of intangible assets	14	(2,940)	(2,580)
Purchase of property, plant and equipment	12	(1,078)	(615)
Proceeds on disposal of property, plant and equipment		1	-
Interest received	8	12	-
Lease payments made on right-of-use assets		(941)	(786)
Acquisition of subsidiaries net of cash acquired		-	(12,242)
Net cash flows used in investing activities		(4,946)	(16,223)
Cash flows from financing activities			
Interest paid	8	(1,607)	(1,213)
Interest expense on leases	8	(173)	(203)
Dividends paid		(1,189)	(605)
Derivatives acquired		-	(207)
Loan drawdowns		5,000	15,528
Repayment of term loans		(6,031)	(6,223)
Net cash flows (used in)/generated from financing activities		(4,000)	7,077
Net increase/(decrease) in cash and cash equivalents		5,093	(9,158)
Cash and cash equivalents at 1 January		7,641	16,725
Effect of exchange rate fluctuations on cash		(246)	74
Cash and cash equivalents at 31 December		12,488	7,641

The notes on pages 26 to 53 form an integral part of these financial statements.

Company Statement of Cash Flows for the Year Ended 31 December 2023

	Note	31 December 2023 £ 000	31 December 2022 £ 000
Cash flows from operating activities			
Profit/(loss) for the year		96	(2,131)
Income tax credit		(725)	-
Loss for the year before income tax		(629)	(2,131)
Adjustments to cash flows from non-cash items:			
Unrealised foreign exchange (gain)/loss		(307)	358
Share based payment transactions		(169)	(51)
Financial instrument net losses through profit and loss		(71)	(68)
Finance costs		627	752
		(549)	(1,140)
Decrease/(increase) in trade and other receivables	18	3,777	(2,473)
(Decrease)/increase in trade and other payables	20	(27)	110
Increase in provisions		-	1,001
Net cash flow generated from/(used in) operating activities		3,201	(2,502)
Cash flows from investing activities			
Acquisition of subsidiaries	15	-	(5,173)
Net cash flows used in investing activities		-	(5,173)
Cash flows from financing activities			
Interest paid		(1,088)	(633)
Repayment of term loans		(6,031)	(6,223)
Loan drawdowns		5,000	15,528
Dividends paid		(1,189)	(605)
Derivatives acquired		-	(207)
Net cash flows (used in)/generated from financing activities		(3,308)	7,860
Net(decrease)/increase in cash and cash equivalents		(107)	185
Cash and cash equivalents at 1 January		204	19
Cash and cash equivalents at 31 December		97	204

The notes on pages 26 to 53 form an integral part of these financial statements.

1 General information

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

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

2 Summary of material accounting policy information

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

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

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

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

Alternative performance measures
The Group uses the alternative (non-Generally Accepted Accounting Practice) performance measure of EBITDA which is not defined withing IFRS.

EBITDA is defined as operating result adjusted to add back depreciation of property, plant and equipment and right-of-use assets, amortization of intangible assets and impairment gains and losses on non-current assets, acquisition-related expenses, and exceptional operating costs.

The Directors believe this measure is more reflective of the underlying performance of the Group than equivalent Generally Accepted Accounting Practice ('GAAP') measures because it excludes non-recurring exceptional and acquisition costs, non-cash items and is therefore a better proxy for underlying operating cash, providing stakeholders and other users of the financial statements with the most representative year-on-year comparison of underlying operational performance attributable to shareholders.

The measure and the separate components remain consistent for all periods presented in these financial statements.

Basis of consolidation
The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 31 December 2023.

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

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

Standards and interpretations not applied
At the date of authorisation of these financial statements there were standards and interpretations which were in issue but which were not yet effective and which have not been applied. The principal ones were:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective 1 January 2024)
- Amendments to IFRS 16 related to Lease Liability in a Sale and Leaseback (effective 1 January 2024).

The directors do not expect the adoption of these standards to have a material impact on the financial statements.

2 Summary of material accounting policy information (continued)

Adoption of new standards
In the current period, the following standards and interpretations have been adopted which were effective for periods commencing on or after 1 January 2023:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (effective 1 January 2023)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective 1 January 2023)
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023).

The adoption of these standards has not had a material impact on the financial statements.

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

As required by the standard, the Group has undertaken sensitivity testing on its future forecasts by applying downside assumptions to establish a plausible but severe scenario. The downside sensitivities testing was performed on a 12 month basis from the financial statements signing date, being the period to March 2025. Within the most plausible but severe downside model, assuming the business does not deliver on its new product release expectations, the Group is forecast to be profitable and there is adequate headroom in all the Group's banking covenants.

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

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

Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually. Goodwill is allocated to cash-generating units for the purpose of this impairment testing. The allocation is made to those cash-generating units, or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is subsequently measured at fair value with the changes in fair value recognised in the statement of profit or loss. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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

2 Summary of material accounting policy information (continued)

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

Asset class	Depreciation method and rate
Leasehold Improvements	Straight line over period of lease
Plant and Machinery	Straight line over 2 - 10 years
Fixtures and Fittings	Straight line over 3 - 7 years

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

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

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

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

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

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

Asset class	Amortisation method and rate
Development Costs	Straight line over 3 - 5 years
Computer Software	Straight line over 3 - 5 years
Patents and Trade Names	Straight line over 3 - 10 years
Customer Relationships	Straight line over 5 - 15 years

Foreign currency transactions and balances
The Group and Company financial statements are reported in 'Pounds Sterling' (GBP) to the nearest £000, unless otherwise indicated.

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

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

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

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

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

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

2 Summary of material accounting policy information (continued)

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

The Group calculates lifetime expected credit losses for trade receivables using a portfolio approach. Receivables are grouped based on the credit terms offered and the type of product sold. The probability of default is determined at the year-end based on the aging of the receivables and historical data about default rates on the same basis. That data is adjusted if the Group determines that historical data is not reflective of expected future conditions due to changes in the nature of its customers and how they are affected by external factors such as economic and market conditions. When a trade receivable is determined to be not collectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

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

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

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

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

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

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

Revenue recognition

Recognition

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

Customer incentives

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

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

2 Summary of material accounting policy information (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2 Summary of material accounting policy information (continued)

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

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

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

Leases

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

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

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

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

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

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

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

2 Summary of material accounting policy information (continued)

Leases (continued)

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

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

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

Financial instruments

Initial recognition
Financial assets and financial liabilities comprise all assets and liabilities reflected in the statement of financial position, although excluding property, plant and equipment, intangible assets, deferred tax assets, prepayments and deferred tax liabilities.

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

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

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

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

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

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

Derecognition

Financial assets

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

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

Financial liabilities

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

2 Summary of material accounting policy information (continued)

Modification of financial assets and financial liabilities

Financial assets

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

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

Financial liabilities

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

Impairment of financial assets

Measurement of Expected Credit Losses

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

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

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

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

Fair value of financial assets and liabilities

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

Derivative financial instruments

The Group holds derivative financial instruments in relation to foreign currency forward contracts and interest rate caps.

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

The interest rate caps are used to reduce the Group's exposure to fluctuations in ECB rate (European Central Bank), the underlying interest rate on the external debt. The Group is responsible for monitoring the daily exposure of these contracts to ensure the overall effectiveness of these positions.

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

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Critical accounting judgements
Management has also made the following judgements that may have a significant effect on the amounts recognised in the financial statements:

Leases
The Group uses judgements to assess whether the interest rate implicit in the lease is readily determinable. When the interest rate implicit in the lease is not readily determinable, the Group estimates the incremental borrowing rate based on its external borrowings secured against similar assets, adjusted for the term of the lease. Further detail is given in note 23.

In determining the lease term the Group assesses whether it is reasonably certain to exercise, or not to exercise, options to extend or terminate a lease. This assessment is made at the start of the lease and is re-assessed if significant events or changes in circumstances occur that are within the lessee's control.

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

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

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

European Cash Generating Unit
The value in use has been calculated using the discounted cash flow for the European cash generating unit based on financial forecasts. The key assumptions applied included a 1.5% growth rate beyond the forecast period (2022: 1.5%) and a 14.80% discounted rate (2022: 12.45%). The model is most sensitive to a change in discount rate, however the rate would need to exceed 40% (2022: 16%) before impairment is required.

Americas Cash Generating Unit
The value in use has been calculated using the discounted cash flow for the European cash generating unit based on financial forecasts. The key assumptions applied included a 1.5% growth rate beyond the forecast period (2022: 1.5%) and a 14.80% discounted rate (2022: 12.45%). The model is most sensitive to a change in discount rate, however the rate would need to exceed 99% (2022: 16%) before impairment is required.

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

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

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

Fair value of share options & warrants
Management uses valuation techniques in measuring the fair value of share options and warrants. In applying the valuation techniques, management makes maximum use of market inputs and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instruments. Where applicable data is not observable, management uses its best estimates about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

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

Expected credit losses

The Group calculates lifetime expected credit losses for trade receivables using a portfolio approach. Receivables are grouped based on the credit terms offered and the type of product sold. The probability of default is determined at the year-end based on the aging of the receivables and historical data about default rates on the same basis. That data is adjusted if the Group determines that historical data is not reflective of expected future conditions due to changes in the nature of its customers and how they are affected by external factors such as economic and market conditions.

4 Financial risk review

Group

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

Market risk

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

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

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

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

iv) Interest rate risk - The Group actively monitors its level of secured and unsecured debt and is required to meet banking covenants on a quarterly basis and report these to its lender. The interest payable on the debt is payable at a floating rate and to mitigate interest rate risk further the Group has a 3% EURIBOR interest rate cap in the year linked to a notional amount of EUR 18m being the principal of the HSBC Bank loan.

Credit risk

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

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

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

Liquidity risk

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

Maturity analysis for financial liabilities

2023	Carrying amount £ 000	Less than 1 year £ 000	Between 1-5 years £ 000
Lease liabilities	3,668	865	2,803
Bank borrowings	14,229	1,023	13,206
Trade and other payables	29,514	29,514	-
Deferred consideration	1,928	1,928	-
Hedged derivative financial liabilities	39	39	-

4 Financial risk review (continued)

2022	Carrying amount £ 000	Less than 1 year £ 000	Between 1-5 years £ 000
Lease liabilities	3,982	817	3,165
Bank borrowings	15,544	1,047	14,497
Trade and other payables	32,348	32,348	-
Warrants	1,001	1,001	-
Contingent consideration	1,683	-	1,683
Deferred consideration	2,348	-	2,348
Hedged derivative financial liabilities	498	498	-

Capital risk management

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

Capital management
The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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

5 Revenue

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

	31 December 2023 £ 000	31 December 2022 £ 000
Sale of goods	123,503	92,829

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

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

	31 December 2023 £ 000	31 December 2022 £ 000
Europe, including UK	58,746	72,646
Americas	62,610	16,365
Rest of World	2,147	3,818
	123,503	92,829

6 Operating profit

Arrived at after charging/(crediting)	31 December 2023 £ 000	31 December 2022 £ 000
Depreciation expense	826	604
Depreciation on right-of-use assets	820	804
Amortisation expense	4,037	3,546
Research and development expensed	3,548	3,220
Fair value change on forward foreign exchange contracts	(459)	687
Loss on disposal of property, plant and equipment	40	37
Loss on disposal of intangible fixed assets	63	-
Rentals under short term and low value leases	31	85
Share-based payment expense	110	(120)
Exceptional items		
Administrative - Exceptional costs	1,586	1,095
Fair value adjustment on contingent consideration	(1,582)	-

Exceptional costs principally relate to one-off employee and operational restructuring costs. Prior year exceptional costs principally related to the legal and professional fees associated with the business acquired in the year and employee restructuring costs.

During the year a fair value assessment of the contingent consideration relating to the Technetix Inc. (formerly Lindsay Broadband Inc.) acquisition was made resulting in a credit of £1,582k being adjusted to exceptional costs.

7 Auditors' remuneration

	31 December 2023 £ 000	31 December 2022 £ 000
Fees payable to the auditor and its associates in respect of both audit and non-audit services are as follows:		
For audit services:		
Audit of these financial statements	95	123
Audit of the subsidiaries pursuant to legislation	171	87
Audit fees - Other	8	2
	274	212
For other services:		
Taxation compliance services	39	-
All other non-audit services	24	-
	337	212

8 Finance costs (net)

	31 December 2023 £ 000	31 December 2022 £ 000
Finance costs		
Interest on bank overdrafts and borrowings	1,304	497
Other finance costs	303	151
Foreign exchange losses on bank borrowings	-	402
Fair value loss on interest rate cap	71	-
Amortisation of capitalised arrangement fees	81	163
Interest expense on leases	173	203
	1,932	1,416

8 Finance costs (net) (continued)

Finance income	31 December 2023 £ 000	31 December 2022 £ 000
Foreign exchange gains on bank borrowings	(307)	-
Interest income	(12)	-
Fair value movement on warrants	(549)	-
	(868)	-
Total finance costs (net)	1,064	1,416

9 Staff costs

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

	31 December 2023 £ 000	31 December 2022 £ 000
Wages and salaries	13,200	9,461
Social security costs	1,332	1,234
Pension costs, defined contribution scheme	442	355
	14,974	11,050

The Directors' have reviewed the totals included with payroll costs and average numbers of persons employed and have updated the prior year disclosures for consistency with the current year presentation.

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

	31 December 2023 No.	31 December 2022 No.
Production	23	22
Office, management and warehouse	159	154
	182	176

The Company had no employees during the current or prior year.

10 Directors' remuneration

The Directors' remuneration for the year was as follows:

	31 December 2023 £ 000	31 December 2022 £ 000
Remuneration	1,721	1,437
Contributions to pension funds	49	42
Compensation for loss of office	112	-
	1,882	1,479

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

	31 December 2023 No.	31 December 2022 No.
Contributions towards personal pension schemes	**3**	**4**

10 Directors' remuneration (continued)

In respect of the highest paid Director:	31 December 2023 £ 000	31 December 2022 £ 000
Remuneration	917	662
Contributions to pension funds	26	24
	943	686

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

11 Income tax

Tax charged/(credited) in the income statement

	31 December 2023 £ 000	31 December 2022 £ 000
Current taxation		
Corporation tax - current year	382	159
Corporation tax - prior year	141	13
	523	172
Deferred taxation		
Deferred tax - current year	148	(316)
Deferred tax - prior year	10	36
Deferred tax – effect of increased/decreased tax rate on opening balance	176	-
Total deferred taxation	334	(280)
Income tax expense/(credit)	857	(108)

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

	31 December 2023 £ 000	31 December 2022 £ 000
Profit/(loss) before tax	9,373	(1,565)
Corporation tax at standard rate of 23.52% (2022: 19%)	2,205	(297)
Increase in current tax from adjustment for prior periods	141	14
Increase in deferred tax from adjustment for prior periods	10	36
Effect of expenses not deductible for tax purposes	100	(238)
Effect of income not taxable	(897)	-
(Decrease)/increase from effect of unrelieved tax losses carried forward	(240)	625
Utilisation of tax losses	(600)	-
Increase/(decrease) from effect of foreign tax rates	236	(255)
Effect of changes in rate of tax	(118)	-
Fixed asset & other short-term timing differences	20	-
Increase from effect of adjustment in research and development credit	-	7
Income tax expense/(credit)	857	(108)

11 Income tax (continued)

Deferred tax

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

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

There are £6,153,762 of unused tax losses (2022: £4,303,022) for which no deferred tax asset is recognised in the statement of financial position.

Group

Deferred tax movement on assets/(liabilities) during the year:

	At 1 January 2023 £ 000	Recognised in profit/loss £ 000	Foreign exchange £ 000	At 31 December 2023 £ 000
Accelerated tax depreciation	(15)	(79)	(5)	(99)
Provisions	243	-	-	243
Deferred development costs	(1,127)	(353)	-	(1,480)
Tax losses carry-forwards	625	98	-	723
Intangible assets	(947)	-	32	(915)
Net tax (liabilities)	(1,221)	(334)	27	(1,528)

Group

Deferred tax movement on assets/(liabilities) during the prior year:

	At 1 January 2022 £ 000	Recognised in profit/loss £ 000	Acquisitions £ 000	At 31 December 2022 £ 000
Accelerated tax depreciation	(20)	5	-	(15)
Provisions	215	28	-	243
Deferred development costs	(1,181)	54	-	(1,127)
Tax losses carry-forwards	461	164	-	625
Intangible assets	-	42	(989)	(947)
Net tax (liabilities)	(525)	293	(989)	(1,221)

Company

Deferred tax movement on assets during the year:

	At 1 January 2023 £ 000	Recognised in profit/loss £ 000	At 31 December 2023 £ 000
Accelerated tax depreciation	21	1	22
Tax losses carry-forwards	-	724	724
Net tax assets	21	725	746

Company

Deferred tax movement on assets during the prior year:

	At 1 January 2022 £ 000	Recognised in profit/loss £ 000	At 31 December 2022 £ 000
Accelerated tax depreciation	26	(5)	21

12 Property, plant and equipment

Group

	Leasehold improvements £ 000	Plant and machinery £ 000	Fixtures and fittings £ 000	Total £ 000
Cost or valuation				
At 1 January 2022	165	3,983	773	4,921
Additions	26	585	4	615
Acquired through business combinations	19	256	18	293
Disposals	-	(266)	(190)	(456)
Transfers	-	94	-	94
Foreign exchange movements	2	35	40	77
At 31 December 2022	212	4,687	645	5,544
At 1 January 2023	212	4,687	645	5,544
Additions	4	1,066	8	1,078
Disposals	(49)	(150)	(39)	(238)
Foreign exchange movements	(3)	(38)	(24)	(65)
At 31 December 2023	164	5,565	590	6,319
Depreciation				
At 1 January 2022	108	3,045	707	3,860
Charge for year	22	561	21	604
Disposals	-	(278)	(188)	(466)
Transfers	-	94	-	94
Foreign exchange movements	3	33	39	75
At 31 December 2022	133	3,455	579	4,167
At 1 January 2023	133	3,455	579	4,167
Charge for the year	29	773	24	826
Disposals	(47)	(147)	(38)	(232)
Foreign exchange movements	(1)	(22)	(23)	(46)
At 31 December 2023	114	4,059	542	4,715
Carrying amount				
At 31 December 2023	50	1,506	48	1,604
At 31 December 2022	79	1,232	66	1,377
At 1 January 2022	57	938	66	1,061

Company

	Plant and machinery £ 000
Cost or valuation	
At 1 January 2022, 31 December 2022 and 31 December 2023	80
Depreciation	
At 1 January 2022, 31 December 2022 and 31 December 2023	80
Carrying amount	
At 1 January 2022, 31 December 2022 and 31 December 2023	-

13 Right-of-use assets

Group

	Property £ 000	Vehicles £ 000	Total £ 000
Cost or valuation			
At 1 January 2022	6,010	336	6,346
Additions	428	67	495
Disposals	-	(72)	(72)
Foreign exchange movements	261	17	278
At 31 December 2022	6,699	348	7,047
At 1 January 2023	6,699	348	7,047
Additions	556	71	627
Disposals	(406)	(57)	(463)
Foreign exchange movements	(125)	20	(105)
At 31 December 2023	6,724	382	7,106
Depreciation			
At 1 January 2022	2,647	173	2,820
Charge for year	720	84	804
Disposals	-	(37)	(37)
Foreign exchange movements	108	11	119
At 31 December 2022	3,475	231	3,706
At 1 January 2023	3,475	231	3,706
Charge for the year	738	82	820
Disposals	(371)	(57)	(428)
Foreign exchange movements	(71)	(5)	(76)
At 31 December 2023	3,771	251	4,022
Carrying amount			
At 31 December 2023	2,953	131	3,084
At 31 December 2022	3,224	117	3,341
At 1 January 2022	3,363	163	3,526

14 Intangible assets

Group

	Development costs £ 000	Patents and trade names £ 000	Customer relationships £ 000	Goodwill £ 000	Computer software £ 000	Total £ 000
Cost or valuation						
At 1 January 2022	13,288	1,944	3,213	11,255	2,452	32,152
Additions	2,461	119	-	-	-	2,580
Acquired through business combinations	-	342	6,302	7,329	49	14,022
Disposals	(579)	(58)	-	-	(175)	(812)
Foreign exchange	-	57	(21)	(699)	32	(631)
At 31 December 2022	15,170	2,404	9,494	17,885	2,358	47,311
At 1 January 2023	15,170	2,404	9,494	17,885	2,358	47,311
Additions	2,768	172	-	-	-	2,940
Disposals	(500)	(31)	-	-	(654)	(1,185)
Foreign exchange	-	(38)	(335)	(299)	(11)	(683)
At 31 December 2023	17,438	2,507	9,159	17,586	1,693	48,383
Amortisation						
At 1 January 2022	7,205	1,028	446	-	2,115	10,794
Charge for year	2,735	242	428	-	141	3,546
Disposals	(545)	(57)	-	-	(175)	(777)
Foreign exchange	-	27	33	-	19	79
At 31 December 2022	9,395	1,240	907	-	2,100	13,642
At 1 January 2023	9,395	1,240	907	-	2,100	13,642
Charge for year	2,841	307	787	-	102	4,037
Disposals	(441)	(27)	-	-	(654)	(1,122)
Foreign exchange	-	(14)	(32)	-	(5)	(51)
At 31 December 2023	11,795	1,506	1,662	-	1,543	16,506
Carrying amount						
At 31 December 2023	5,643	1,001	7,497	17,586	150	31,877
At 31 December 2022	5,775	1,164	8,587	17,885	258	33,669
At 1 January 2022	6,083	916	2,767	11,255	337	21,358

Amortisation charge in the current and prior year is included within administrative expenses.

Company

	Computer software £ 000
Cost or valuation	
At 1 January 2022, 31 December 2022 and 31 December 2023	549
Amortisation	
At 1 January 2022, 31 December 2022 and 31 December 2023	549
Carrying amount	
At 1 January 2022, 31 December 2022 and 31 December 2023	-

15 Investments

Summary of the company investments

	31 December 2023 £ 000	31 December 2022 £ 000
Investments in subsidiaries	16,722	16,722

The addition in the prior year represents the acquisition of Technetix Inc. (formerly Lindsay Broadband Inc.)

Subsidiaries	**£ 000**
Cost or valuation	
At 1 January 2022	11,549
Additions	5,173
At 31 December 2022 and 31 December 2023	16,722

Group subsidiaries
Details of the Group's subsidiaries as at 31 December 2023 are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Proportion of ownership interest and voting rights held 2023	2022
Technetix Holding BV	Holding company	Netherlands	100%	100%
Technetix Limited	Design, manufacture and distribute market-leading technology to major broadband cable and telecommunications operators worldwide	United Kingdom	100%	100%
Technetix BV*	As above	Netherlands	100%	100%
Technetix Inc	As above	USA	100%	100%
Technetix Spain S.L.U.	As above	Spain	100%	100%
Technetix South East Europe L.L.C.	As above	Kosovo	100%	100%
Technetix GmbH	As above	Germany	100%	100%
Technetix Pty Ltd	As above	Australia	100%	100%
Technetix Inc. (formerly Lindsay Broadband Inc.)	As above	Canada	100%	100%

* indicates indirect investment of the Company

Registered office address
Technetix Limited: Innovation House, Technetix Business Park, Albourne, West Sussex, BN6 9EB, England
Technetix Holding BV: Kazemat 5, 3905 NR Veenendaal, the Netherlands
Technetix BV: Kazemat 5, 3905 NR Veenendaal, the Netherlands
Technetix Inc: 8490 Upland Drive, Suite 200, Englewood CO 80112, U.S.A.
Technetix Spain S.L.U.: Calle Terracina 11, Plataforma Logistica Plaza, 50197 Zaragoza, Spain
Technetix South East Europe L.L.C.: Zona Industriale, Ali Hadri p/n 10000, Prishtinë, Kosovo
Technetix GmbH: Technetix GmbH, Bogenstraße 34, 22926, Ahrensburg , Schleswig-Holstein, Germany
Technetix Pty Ltd: Level 21, 459 Collins Street, Melbourne, Victoria 3000, Australia
Technetix Inc. (formerly Lindsay Broadband Inc.): 2-2035 Fisher Dr, Peterborough, ON K9J 6X6, Canada

16 Business combinations

During the year a fair value assessment of the contingent consideration relating to the Technetix Inc. (formerly Lindsay Broadband Inc.) acquisition was made resulting in a credit of £1,582k being adjusted to exceptional costs.

17 Inventories

	Group		Company	
	31 December 2023 £ 000	31 December 2022 £ 000	31 December 2023 £ 000	31 December 2022 £ 000
Goods for resale	12,711	12,925	-	-
Goods in transit	3,397	6,241	-	-
	16,108	19,166	-	-

The inventories provision at 31 December 2023 was £2,214k (2022: £3,310k).

18 Trade and other receivables

	Group		Company	
Current	31 December 2023 £ 000	31 December 2022 £ 000	31 December 2023 £ 000	31 December 2022 £ 000
Trade receivables	9,465	10,753	-	-
Group receivables	-	-	9,751	13,115
Prepayments	892	487	-	-
Other receivables	365	-	-	-
	10,722	11,240	9,751	13,115
Non-current				
Other receivables	887	-	-	-

Lifetime expected credit losses for trade receivables are calculated using a portfolio approach. The probability of default is determined at the year-end based on both the aging of the receivables and historical data about default rates on the same basis.

Credit risk associated with trade receivables is considered to be low. Impairment losses of £150k have been recognised on trade receivables (2022: £nil).

The non-current receivable of £887k (2022: £nil) is a payment due from a South American customer to Technetix Inc. (formerly Lindsay Broadband Inc) via a bond which will mature in 2027. The amount is considered to be fully recoverable.

19 Cash and cash equivalents

	Group		Company	
	31 December 2023 £ 000	31 December 2022 £ 000	31 December 2023 £ 000	31 December 2022 £ 000
Cash in hand	7	7	-	-
Cash at bank	12,481	7,634	97	204
	12,488	7,641	97	204

20 Trade and other payables

	Group		Company	
	31 December 2023 £ 000	31 December 2022 £ 000	31 December 2023 £ 000	31 December 2022 £ 000
Trade payables	24,188	25,648	-	-
Accruals and deferred income	3,458	2,620	128	155
Social security and other taxes	1,868	4,080	-	-
Deferred Consideration	1,928	2,348	-	-
Contingent Consideration (note 16)	-	1,683	-	-
Warrants provision (note 27)	-	1,001	-	1,001
	31,442	37,380	128	1,156

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

21 Borrowings

	Group		Company	
	31 December 2023 £ 000	31 December 2022 £ 000	31 December 2023 £ 000	31 December 2022 £ 000
Current borrowings				
Bank borrowings	1,023	1,047	1,023	1,047

	Group		Company	
	31 December 2023 £ 000	31 December 2022 £ 000	31 December 2023 £ 000	31 December 2022 £ 000
Non-current borrowings				
Bank borrowings	13,206	14,497	13,206	14,497

The HSBC Loan for €18m was taken out in the prior year and is denominated in EUR with a nominal interest rate of 2.65% above ECB (European Central Bank) and is due for repayment in September 2026. The carrying amount, translated into GBP at year end is £14,229k (2022: £15,544k).

A multi-currency HSBC Revolving Credit Facility for £5m was drawn down and fully repaid during the year. The carrying amount of the RCF at the year end is £nil (2022: £nil) and the full £5m remains available to draw upon.

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

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

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

22 Other provisions

Group

	Holiday pay £ 000	Jubilee benefit £ 000	Total £ 000
At 1 January 2022	521	17	538
Net movements in existing provisions	43	8	51
Foreign exchange movements	26	1	27
At 1 January 2023	590	26	616
Net movements in existing provisions	71	8	79
Foreign exchange movements	(15)	(1)	(16)
At 31 December 2023	646	33	679

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

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

The Company had no provisions (2022: £Nil).

23 Lease liabilities

Group

	31 December 2023 £ 000	31 December 2022 £ 000
Current	865	817
Non-current	2,803	3,165
	3,668	3,982

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

	31 December 2023 £ 000	31 December 2022 £ 000
Within one year	1,011	1,044
Between one to five years	2,608	2,753
More than five years	397	662
Total lease liabilities (undiscounted)	4,016	4,459
Less: finance charges	(348)	(477)
Total lease liabilities	3,668	3,982

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

Cash payments	31 December 2023 £ 000	31 December 2022 £ 000
Lease repayments	941	786
Interest	173	203
Low value leases	11	18
Total cash outflow	1,125	1,007

23 Lease liabilities (continued)

Incremental borrowing rate
In the absence of an implicit rate of interest being stated in the property lease agreements, the Group is using an incremental borrowing rate (IBR), which incorporates both the nature of the lease and the current economic environment, to determine the present value of the lease payments.

Location	IBR (%)	Total lease term (years)	Lease term remaining (years)
Property leases			
UK	5.00	13	6
Rest of Europe	3.16 – 9.70	5 - 9	1 - 5
North America	6.70 – 7.00	2 - 9	2 - 3
Asia	5.75	3	3
Vehicle leases			
UK	8.95	2	1
Rest of Europe	3.49 – 8.60	2 – 5	1 - 4

24 Financial instruments

Group
Financial instruments measured at fair value through profit or loss

	Fair value	
	31 December 2023 £ 000	31 December 2022 £ 000
Derivative financial instruments:		
Derivative financial asset – interest rate cap	65	194
Derivative financial liability – forward currency contracts	39	498

Valuation methods and assumptions

Interest rate cap derivative financial instrument:
The Group has an interest rate cap linked to a notional amount of EUR 18m being the principal HSBC Bank loan secured in the prior year. The fair value of the interest rate swaps is classed as level 2, as the valuation is determined using directly observable market inputs at the Statement of Financial Position date.

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

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

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

The notional principal amounts of the outstanding foreign amounts of the outstanding foreign currency forward contracts at 31 December 2023 were USD 6m (2022: USD 16m) and EUR 1.25m (2022: EUR 18m). Fair value changes on forward exchange hedges are included in cost of sales in the Statement of Comprehensive Income, a net gain of £459k was recognised (2022: loss of £687k).

24 Financial instruments (continued)

Financial assets

	Amortised cost		Fair value	
	31 December 2023 £ 000	**31 December 2022 £ 000**	**31 December 2023 £ 000**	**31 December 2022 £ 000**
Cash and cash equivalents	12,488	7,641	-	-
Trade and other receivables	10,717	11,239	-	-
Derivative financial asset – interest rate cap	-	-	65	194
	23,205	18,880	65	194

Valuation methods and assumptions

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

Financial liabilities

	Amortised cost		Fair value	
	31 December 2023 £ 000	**31 December 2022 £ 000**	**31 December 2023 £ 000**	**31 December 2022 £ 000**
Trade and other payables	29,574	31,535	-	-
Contingent consideration	-	-	-	1,683
Warrants	-	-	-	1,001
Hedged derivative financial instruments	-	-	39	498
Borrowings	14,229	15,544	-	-
	43,803	47,079	39	3,182

Valuation methods and assumptions

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

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

25 Share capital

Allotted, called up and fully paid shares

	31 December 2023		31 December 2022	
	No. 000	**£ 000**	**No. 000**	**£ 000**
Ordinary shares of £0.01 each	683	6.830	683	6.830

Allotted and partially paid shares

	31 December 2023		31 December 2022	
	No. 000	**£ 000**	**No. 000**	**£ 000**
Ordinary Shares of £0.01 each	38	-	38	-

Authorised share capital

	31 December 2023		31 December 2022	
	No. 000	**£ 000**	**No. 000**	**£ 000**
Ordinary shares of £0.01 each	1,500	15	1,500	15

Rights, preferences and restrictions
Each Ordinary Share is entitled Pari-Passu to dividend payments or other distributions, and Pari-Passu to participate in a distribution arising from the winding up of the Company. Each Ordinary Share also carries the right to one vote at general meetings.

26 Share-based payments

Technetix Group Limited EBT Share Option Plan

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

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

An option can be exercised immediately prior to or upon the occurrence of an Exit Event; this refers to a 'sale', a 'listing' or 'winding-up' of the Company or, at the discretion of the Board, any other event. In any event, options cannot be exercised on or after the tenth anniversary of their date of grant, or if the employee has left the Group.

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

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

	31 December 2023 Number	31 December 2022 Number
Outstanding, start of period	27,099	35,134
Granted during the period	-	15,040
Expired during the period	-	(23,075)
Forfeited during the period	(13,250)	-
Outstanding, end of period	13,849	27,099

26 Share-based payments (continued)

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

	31 December 2023 pence	31 December 2022 pence
Outstanding, start of period	943	1,428
Granted during the period	-	473
Expired during the period	-	(958)
Forfeited during the period	(296)	-
Outstanding, end of period	1,663	943

Share options

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

	31 December 2023	31 December 2022
Weighted average exercise price (£)	16.63	9.43
Number of share options outstanding	13,849	27,099
Expected weighted average remaining life (years)	5	6

Fair value of options granted

The option pricing model used was Black-Scholes model and the main inputs are set out in the table below. There were nil grants in the year (2022 – 15,040).

	31 December 2023	31 December 2022
Weighted average share price during the period (£)	-	24.5
Share price at date of grant (£)	-	19
Expected volatility (%)	-	32
Vesting period in years	-	3
Option life in years	-	10
Expected life of option in practice in years	-	3
Expected dividends, expressed as a dividend yield (%)	-	1
Risk-free interest rate (%)	-	4
Number of employees subject to option grant	-	7

Charge/credit arising from share-based payments

The total charge/(credit) for the year for the EBT Share Option Plan share-based payments was £110k (2022 - £(70)k).

26 Share-based payments (continued)

Technetix Group Limited EMI Share Option Plan

Scheme details and movements

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

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

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

In any event, options could not be exercised on or after the tenth anniversary of their date of grant. During the prior year all EMI options expired.

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

	31 December 2023 Number	31 December 2022 Number
Outstanding, start of period	-	12,401
Expired during the period	-	(12,401)
Outstanding, end of period	-	-

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

	31 December 2023 Pence	31 December 2022 pence
Outstanding, start of period	-	371
Expired during the period	-	(371)
Outstanding, end of period	-	-

Outstanding share options

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

	31 December 2023	31 December 2022
Weighted average exercise price (£)	-	-
Number of share options outstanding	-	-
Expected weighted average remaining life (years)	-	-

Charge/credit arising from share-based payments

The total charge/(credit) for the year EMI Share Option Plan for share-based payments was £Nil (2022 - £121k).

27 Warrants

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

The warrants are earned by Liberty Global achieving certain purchase levels with the Group within 5 years of the Warrant Agreement effective date (initially 3 years and extended in 2019 and 2020 each for a further 12 month period) and are exercisable within 7 years of each warrant grant date. The estimated fair value of the warrants are recorded as a reduction to net sales based on the projected number of warrants expected to vest, the proportion of purchases by Liberty Global within the period relative to the aggregate purchase levels required for the warrants to vest and the then-current fair value of the related warrants. Changes in the fair market value of the equity relating to the warrants at each balance sheet date are recorded within finance income or expense.

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

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

The Group has recognised £nil as a reduction to net sales in connection with warrants (2022: £Nil) as no warrants were issued during the year. A fair value adjustment of £549k (2022: £68k) has been recognised in the year as a credit to profit and loss within net finance costs. The corresponding entry is included within the share-based payment reserve in equity (2022: recognised as a warrants provision within trade and other payables).

28 Contingent liabilities

Group

The UK subsidiary undertaking, Technetix Limited, has given the following guarantees to its bankers in relation to; HM Revenue & Customs for €105k (2022: €105k), Dutch Customs for €38.5k (2022: €138.5k) and Irish Revenue for €100k (2022: €100k).

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

29 Ultimate controlling party

The ultimate controlling party is Mr. P A Broadhurst.