COMPANY REGISTRATION NUMBER: SC299625

CALNEX SOLUTIONS LIMITED
FINANCIAL STATEMENTS
31 MARCH 2019

FOURM LIMITED
Chartered Accountants & Statutory Auditor
Stannergate House
41 Dundee Road West
Broughty Ferry
Dundee
DD5 1NB

CALNEX SOLUTIONS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2019

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CALNEX SOLUTIONS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	George Elliott - Chairman Ann Budge Anand Ram Thomas Cook John McElroy
Company secretary	DC Consulting (Scotland) Limited
Registered office	Oracle Campus Linlithgow West Lothian EH49 7LR
Auditor	FourM Limited Chartered Accountants & Statutory Auditor Stannergate House 41 Dundee Road West Broughty Ferry Dundee DD5 1NB
Bankers	HSBC 76 Hanover Street Edinburgh EH2 1HQ
Solicitors	Burness Paull LLP 50 Lothian Road Festival Square Edinburgh Scotland EH3 9WJ

Principal activities and review of the business

The principal activity of the group continues to be that of the development and commercialization of test and measurement solutions for next generation telecom networks. As a consequence of turnover increasing by circa 20% the group reported a profit before taxation of £2.38m (2018 - loss of £0.46m). At EBITDA level this equated to circa £4.5m for the year to March 2019 (2018 - EBITDA of £2.7m).

Principal risk and uncertainties

Market and economic risk
The majority of the group's trade occurs overseas. As a result the group has exposure to exchange rate and associated risks.

Economic Factors affecting the Industry
Due to the geographical spread of the group's operations they are not affected by any concentrated economic risk.

Funding and Liquidity Risk
The group has adequate financing arrangements in place that are continually monitored by management to ensure that the company has sufficient funds to meet its obligations as they arise.

Financial Risk
The principal financial assets are cash balances and trade receivables. Our customer base is reputable large corporate entities. The company's customers are subject to credit checks and credit limits.

Results for the year

Sales have increased in the year to £10.3m (2018 - £8.5m); this was due to a strong performance arising from the sale of existing products, coupled with sales from the product line that was acquired last year.

Development and performance of the company's business over the year

The group continued with its principal activities in the development and commercialization of test and measurement solutions for next generation telecom networks.

Position at the year end

At the year end the group had a strong net assets position of £5.76m.

Key performance indicators

The group used a number of appropriate key performance measures to monitor the performance of the business during the year to 31 March 2019.

Future developments

The group intends to continue to focus on its principal activity and does not envisage any significant changes to the operations of the company over the next 12 months.

The growth in the activity of the group is expected to continue with it expanding its product range to enhance their position in the market.

This report was approved by the board of directors on 31 October 2019 and signed on behalf of the board by:

Thomas Cook
Director

Registered office:
Oracle Campus
Linlithgow
West Lothian
EH49 7LR

CALNEX SOLUTIONS LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2019

The directors present their report and the financial statements of the group for the year ended 31 March 2019.

Directors

The directors who served the company during the year were as follows:

George Elliott - Chairman
Ann Budge
Anand Ram
Thomas Cook
John McElroy

Dividends

The directors do not recommend the payment of a dividend.

Disclosure of information in the strategic report

In accordance with section 414(11) of the Companies Act 2006, the company has set out its strategic report at page two and three of these accounts.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the group and the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information.

This report was approved by the board of directors on 31 October 2019 and signed on behalf of the board by:

Thomas Cook
Director

Registered office:
Oracle Campus
Linlithgow
West Lothian
EH49 7LR

DIRECTORS' RESPONSIBILITIES STATEMENT

YEAR ENDED 31 MARCH 2019

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Opinion

We have audited the financial statements of Calnex Solutions Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the 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 and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 March 2019 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

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

We have nothing to report in this regard.

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 its 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, 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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.

Karen Henderson MCIBS BA(Hons) CA (Senior Statutory Auditor)

For and on behalf of
FourM Limited
Chartered Accountants & statutory auditor
Stannergate House
41 Dundee Road West
Broughty Ferry
Dundee
DD5 1NB

12 November 2019

CALNEX SOLUTIONS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2019

	Note	2019 £	2018 £
Turnover	4	10,263,576	8,508,909
Cost of sales		(2,251,145)	(2,298,126)
Gross profit		8,012,431	6,210,783
Administrative expenses		(5,869,405)	(7,168,609)
Other operating income	5	550,613	569,872
Operating profit/(loss)	6	2,693,639	(387,954)
Interest payable and similar expenses	10	(312,612)	(68,763)
Profit/(loss) before taxation		2,381,027	(456,717)
Tax on profit/(loss)	11	(287,384)	–
Profit/(loss) for the financial year and total comprehensive income		2,093,643	(456,717)

All the activities of the group are from continuing operations.

The notes on pages 16 to 27 form part of these financial statements.

CALNEX SOLUTIONS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 MARCH 2019

	Note		2019 £	2018 £
Fixed assets				
Intangible assets	12		5,718,764	4,910,735
Tangible assets	13		12,763	25,842
			5,731,527	4,936,577
Current assets				
Stocks	15	888,516		872,465
Debtors	16	2,119,768		2,143,659
Cash at bank and in hand		1,852,091		784,450
		4,860,375		3,800,574
Creditors: amounts falling due within one year	17	(2,623,250)		(2,284,622)
Net current assets			2,237,125	1,515,952
Total assets less current liabilities			7,968,652	6,452,529
Creditors: amounts falling due after more than one year	18		(2,203,978)	(2,814,095)
Net assets			5,764,674	3,638,434
Capital and reserves				
Called up share capital	21		24,814	24,778
Share premium account	22		2,014,165	1,981,604
Profit and loss account	22		3,725,695	1,632,052
Members funds			5,764,674	3,638,434

These financial statements were approved by the board of directors and authorised for issue on 31 October 2019, and are signed on behalf of the board by:

Thomas Cook
Director

Company registration number: SC299625

The notes on pages 16 to 27 form part of these financial statements.

CALNEX SOLUTIONS LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

31 MARCH 2019

	Note		2019 £	2018 £
Fixed assets				
Intangible assets	12		4,709,774	3,490,349
Tangible assets	13		12,763	17,370
Investments	14		953,254	1,252,540
			5,675,791	4,760,259
Current assets				
Stocks	15	888,516		867,817
Debtors	16	2,175,361		2,169,800
Cash at bank and in hand		1,849,239		779,181
		4,913,116		3,816,798
Creditors: amounts falling due within one year	17	(2,600,298)		(2,124,528)
Net current assets			2,312,818	1,692,270
Total assets less current liabilities			7,988,609	6,452,529
Creditors: amounts falling due after more than one year	18		(2,203,978)	(2,814,095)
Net assets			5,784,631	3,638,434
Capital and reserves				
Called up share capital	21		24,814	24,778
Share premium account	22		2,014,165	1,981,604
Profit and loss account	22		3,745,652	1,632,052
Members funds			5,784,631	3,638,434

The profit for the financial year of the parent company was £2,113,600 (2018: £456,717 loss).

These financial statements were approved by the board of directors and authorised for issue on 31 October 2019, and are signed on behalf of the board by:

Thomas Cook
Director

Company registration number: SC299625

The notes on pages 16 to 27 form part of these financial statements.

CALNEX SOLUTIONS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2019

	Called up share capital £	Share premium account £	Profit and loss account £	**Total** **£**
At 1 April 2017	23,742	1,042,678	2,088,769	3,155,189
Loss for the year			(456,717)	(456,717)
Total comprehensive income for the year	–	–	(456,717)	(456,717)
Issue of shares	1,036	938,926	–	939,962
Total investments by and distributions to owners	1,036	938,926	–	939,962
At 31 March 2018	24,778	1,981,604	1,632,052	3,638,434
Profit for the year			2,093,643	2,093,643
Total comprehensive income for the year	–	–	2,093,643	2,093,643
Issue of shares	36	32,561	–	32,597
Total investments by and distributions to owners	36	32,561	–	32,597
At 31 March 2019	24,814	2,014,165	3,725,695	5,764,674

The notes on pages 16 to 27 form part of these financial statements.

CALNEX SOLUTIONS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2019

	Called up share capital	Share premium account	Profit and loss account	**Total**
	£	£	£	**£**
At 1 April 2017	23,742	1,042,678	2,088,769	3,155,189
Loss for the year			(456,717)	(456,717)
Total comprehensive income for the year	–	–	(456,717)	(456,717)
Issue of shares	1,036	938,926	–	939,962
Total investments by and distributions to owners	1,036	938,926	–	939,962
At 31 March 2018	24,778	1,981,604	1,632,052	3,638,434
Profit for the year			2,113,600	2,113,600
Total comprehensive income for the year	–	–	2,113,600	2,113,600
Issue of shares	36	32,561	–	32,597
Total investments by and distributions to owners	36	32,561	–	32,597
At 31 March 2019	24,814	2,014,165	3,745,652	5,784,631

The notes on pages 16 to 27 form part of these financial statements.

CALNEX SOLUTIONS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2019

	2019	2018
	£	£
Cash flows from operating activities		
Profit/(loss) for the financial year	2,093,643	(456,717)
Adjustments for:		
Depreciation of tangible assets	18,831	17,153
Amortisation of intangible assets	1,771,679	3,066,079
Impairment of intangible assets	299,286	–
Government grant income	(237,357)	(300,688)
Interest payable and similar expenses	312,612	68,763
Accrued income	474,941	(83,082)
Changes in:		
Stocks	(16,051)	80,569
Trade and other debtors	(264,935)	(204,329)
Trade and other creditors	(500,851)	(119,680)
Cash generated from operations	3,951,798	2,068,068
Interest paid	(312,612)	(68,763)
Taxation received	288,827	–
Net cash from operating activities	3,928,013	1,999,305
Cash flows from investing activities		
Purchase of tangible assets	(5,752)	(5,057)
Purchase of intangible assets	(2,878,994)	(2,607,594)
Acquisition of subsidiary	-	(1,247,271)
Net cash used in investing activities	(2,884,746)	(3,859,922)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	32,597	939,962
Net (repayment)/proceeds from borrowings	(245,580)	1,049,484
Government grant income	237,357	300,688
Net cash from financing activities	24,374	2,290,134
Net increase in cash and cash equivalents	1,067,641	429,517
Cash and cash equivalents at beginning of year	784,450	354,933
Cash and cash equivalents at end of year	1,852,091	784,450

The notes on pages 16 to 27 form part of these financial statements.

1. General information

The company is a private company limited by shares, registered in Scotland. The address of the registered office is Oracle Campus, Linlithgow, West Lothian, EH49 7LR.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Disclosure exemptions

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102:

(b) No cash flow statement has been presented for the company.
(e) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The financial statements consolidate the financial statements of the Group and all of its subsidiary undertakings.

The results of subsidiaries acquired or disposed of during the year are included from or to the date that control passes.

The parent company has applied the exemption contained in section 408 of the Companies Act 2006 and has not included its individual statement of comprehensive income.

The functional currency of the US registered subsidiary is the US dollar. Prior to consolidation it has been translated into £ sterling using the appropriate exchange rates.

Changes in accounting estimates

As of 1 April 2018 the company changed its accounting policy for the amortisation of development costs. Previously these costs were amortised over 2.5 years however after careful consideration, this has now been changed to 5 years. The directors believe that this is a fairer reflection of the life cycle of the products to which those development costs relate. This has decreased the amortisation charge for the year and increased the net book value of the development costs at year end by £1,312,534 against what they would have been had the previous accounting policy continued.

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Amortisation
The useful life of the intangible assets held by the company is a judgement made by management based on their knowledge and experience of how long products remain sellable and technologically valuable in the market.

Accruals
Management estimate requirements for accruals using post year end information. This identifies costs and income that are expected to be incurred or received for goods and services provided by and to other people relating to the period reported on.

Stock provision
In arriving at the valuation of stock it may be necessary for management to make an assessment of the carrying value of stock items and where applicable apply a provision to amend this carrying value to a more accurate level. These provisions are arrived at using management's knowledge and understanding of the business and the industry in which it operates.

Revenue recognition

The turnover shown in the profit and loss represents goods despatched during the year, exclusive of Value Added Tax.

Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

3. Accounting policies *(continued)*

Operating leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Goodwill

Goodwill arises on business acquisitions and represents the excess of the cost of the acquisition over the company's interest in the net amount of the identifiable assets, liabilities and contingent liabilities of the acquired business.

Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. It is amortised on a straight-line basis over its useful life. Where a reliable estimate of the useful life of goodwill or intangible assets cannot be made, the life is presumed not to exceed ten years.

Intangible assets

Development expenditure incurred on clearly defined projects whose outcome can be assessed with reasonable certainty is carried forward and amortisation is then charged when the product has reached a stage where it can achieve a sales value. Development expenditure incurred on clearly defined projects whose outcome can be assessed with reasonable certainty is carried forward and amortisation is then charged when the product has reached a stage where it can achieve a sales value.

Intangible assets acquired as part of a business combination are recorded at the fair value at the acquisition date.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill	-	10% straight line
Development costs	-	20% straight line
Intellectual property	-	40% straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Equipment	-	25 - 33% Straight line

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

3. Accounting policies *(continued)*

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Government grants

Deferred government grants in respect of product development and other capital expenditure are treated as deferred income. These grants are then credited to the profit and loss account in line with the corresponding amortisation of the assets to which they relate.

Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument. Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. Debt instruments are subsequently measured at amortised cost.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided.

4. Turnover

Turnover arises from:

	2019	2018
	£	£
Sale of goods	10,263,576	8,508,909

4. Turnover *(continued)*

The turnover is attributable to the one principal activity of the group. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2019	2018
	£	£
United Kingdom	627,279	176,552
Overseas	9,636,297	8,332,357
	10,263,576	8,508,909

5. Other operating income

	2019	2018
	£	£
Government grant income	237,357	300,688
Research & development tax credit	309,832	269,184
Other operating income	3,424	-
	550,613	569,872

6. Operating profit

Operating profit or loss is stated after charging/crediting:

	2019	2018
	£	£
Amortisation of development costs	1,643,922	3,042,320
Amortisation of intellectual property costs	15,647	23,758
Depreciation of tangible assets	18,831	17,153
Amortisation of goodwill	112,110	-
Foreign exchange differences	(114,673)	126,918
Non-recurring finance costs	–	312,500
Operating lease expense	205,006	185,006

7. Auditor's remuneration

	2019	2018
	£	£
Fees payable for the audit of the group financial statements	10,250	8,000

8. Staff costs

The average number of persons employed by the group during the year, including the directors, amounted to:

	2019	2018
	No.	No.
Production staff	45	35
Administrative staff	22	31
Management staff	6	5
	73	71

8. Staff costs *(continued)*

The aggregate payroll costs incurred during the year, relating to the above, were:

	2019	2018
	£	£
Wages and salaries	2,458,966	2,337,171
Social security costs	348,596	299,843
Other pension costs	154,577	128,294
	2,962,139	2,765,308

9. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2019	2018
	£	£
Remuneration	388,267	282,490
Company contributions to defined contribution pension plans	6,544	3,301
	394,811	285,791

The number of directors who accrued benefits under company pension plans was as follows:

	2019	2018
	No.	No.
Defined contribution plans	2	1

Remuneration of the highest paid director in respect of qualifying services:

	2019	2018
	£	£
Aggregate remuneration	156,511	105,184

There is no distinction between directors and key management personnel.

10. Interest payable and similar expenses

	2019	2018
	£	£
Interest on banks loans and overdrafts	11,435	14,175
Other interest payable and similar charges	301,177	54,588
	312,612	68,763

11. Tax on profit/(loss)

Major components of tax expense

	2019	2018
	£	£
Current tax:		
UK current tax expense	287,384	–
Tax on profit/(loss)	287,384	–

11. Tax on profit/(loss) *(continued)*

Reconciliation of tax expense

The tax assessed on the profit/(loss) on ordinary activities for the year is lower than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019	2018
	£	£
Profit/(loss) on ordinary activities before taxation	2,381,027	(456,717)
Profit/(loss) on ordinary activities by rate of tax	452,395	(86,776)
Effect of expenses not deductible for tax purposes	702	220
Effect of capital allowances and depreciation	2,057	2,241
Unused tax losses	–	(59,954)
Rounding on tax charge	269,540	578,041
Effect of R&D relief	(470,298)	(433,772)
Effect of goodwill amortisation	21,301	–
Effect of non-UK losses	11,687	–
Tax on profit/(loss)	287,384	–

12. Intangible assets

Group	Goodwill	Development costs	Intellectual property	**Total**
	£	£	£	**£**
Cost				
At 1 April 2018	1,420,386	17,985,797	99,394	19,505,577
Additions	–	2,868,538	10,456	2,878,994
At 31 March 2019	1,420,386	20,854,335	109,850	22,384,571
Amortisation				
At 1 April 2018	–	14,511,048	83,794	14,594,842
Charge for the year	112,110	1,643,922	15,647	1,771,679
Impairment losses	299,286	–	–	299,286
At 31 March 2019	411,396	16,154,970	99,441	16,665,807
Carrying amount				
At 31 March 2019	1,008,990	4,699,365	10,409	5,718,764
At 31 March 2018	1,420,386	3,474,749	15,600	4,910,735

12. Intangible assets *(continued)*

Company

	Intellectual property £	Development costs £	**Total £**
Cost			
At 1 April 2018	99,394	17,985,797	18,085,191
Additions	10,456	2,831,788	2,842,244
At 31 March 2019	109,850	20,817,585	20,927,435
Amortisation			
At 1 April 2018	83,794	14,511,048	14,594,842
Charge for the year	15,647	1,607,172	1,622,819
At 31 March 2019	99,441	16,118,220	16,217,661
Carrying amount			
At 31 March 2019	10,409	4,699,365	4,709,774
At 31 March 2018	15,600	3,474,749	3,490,349

13. Tangible assets

Group

	Equipment £
Cost	
At 1 April 2018	176,758
Additions	5,752
Disposals	(29,045)
At 31 March 2019	153,465
Depreciation	
At 1 April 2018	150,916
Charge for the year	18,831
Disposals	(29,045)
At 31 March 2019	140,702
Carrying amount	
At 31 March 2019	12,763
At 31 March 2018	25,842

13. Tangible assets *(continued)*

Company	**Equipment**
	£
Cost	
At 1 April 2018	168,286
Additions	8,531
Disposals	(29,045)
At 31 March 2019	147,772
Depreciation	
At 1 April 2018	150,916
Charge for the year	13,138
Disposals	(29,045)
At 31 March 2019	135,009
Carrying amount	
At 31 March 2019	12,763
At 31 March 2018	17,370

14. Investments

The group has no investments.

Company	**Shares in group undertakings**
	£
Cost	
At 1 April 2018	1,252,540
Additions	37,797
Other movements	(337,083)
At 31 March 2019	953,254
Impairment	
At 1 April 2018 and 31 March 2019	–
Carrying amount	
At 31 March 2019	953,254
At 31 March 2018	1,252,540

Subsidiaries, associates and other investments

Details of the investments in which the parent company has an interest of 20% or more are as follows:

	Registered office	Class of share	Percentage of shares held
Subsidiary undertakings			
Calnex Solutions (Belfast) Limited	5th Floor - The Warehouse 7 James Street South Belfast Northern Ireland BT2 8DN	Ordinary	100

14. Investments *(continued)*

	Registered office	Class of share	Percentage of shares held
Calnex Americas Corporation	7736 Main Street Fogelsville Pennsylvania PA 18150	Ordinary	100

15. Stocks

	Group		Company	
	2019	2018	**2019**	2018
	£	£	**£**	£
Finished goods	888,516	872,465	888,516	867,817

16. Debtors

	Group		Company	
	2019	2018	**2019**	2018
	£	£	**£**	£
Trade debtors	1,704,568	1,333,548	1,704,568	1,305,164
Amounts owed by group undertakings	–	–	63,739	–
Prepayments and accrued income	64,216	153,595	57,266	147,578
Corporation tax repayable	–	218,039	–	218,039
Other debtors	350,984	438,477	349,788	499,019
	2,119,768	2,143,659	2,175,361	2,169,800

The debtors above include the following amounts falling due after more than one year:

	Group		Company	
	2019	2018	**2019**	2018
	£	£	**£**	£
Other debtors	279,322	256,874	279,322	256,874

17. Creditors: amounts falling due within one year

	Group		Company	
	2019	2018	**2019**	2018
	£	£	**£**	£
Other loans	532,996	285,000	532,996	285,000
Trade creditors	700,324	697,497	700,216	670,095
Accruals and deferred income	1,252,639	777,698	1,229,795	694,477
Social security and other taxes	98,180	152,292	98,180	102,821
Other creditors	39,111	372,135	39,111	372,135
	2,623,250	2,284,622	2,600,298	2,124,528

The bank borrowings are secured by a bond and floating charge over all the assets of the company.

18. Creditors: amounts falling due after more than one year

	Group		Company	
	2019	2018	**2019**	2018
	£	£	**£**	£
Other loans	2,041,424	2,535,000	2,041,424	2,535,000
Accruals and deferred income	162,554	279,095	162,554	279,095
	2,203,978	2,814,095	2,203,978	2,814,095

Other loans relates to a loan from ThinCats, which is repayable in monthly instalments; this loan bears interest at the rate of 11% per annum.

19. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £154,577 (2018: £128,294).

20. Government grants

The amounts recognised in the financial statements for government grants are as follows:

	Group		Company	
	2019	2018	**2019**	2018
	£	£	**£**	£
Recognised in creditors:				
Deferred government grants due after more than one year	162,554	279,095	162,554	279,095
Recognised in other operating income:				
Government grants recognised directly in income	237,357	300,688	234,962	300,688

21. Called up share capital

Issued, called up and fully paid

	2019		2018	
	No.	**£**	No.	£
Ordinary shares of £0.10 each	248,135	24,814	247,776	24,778

Share movements

	No.	£
Ordinary		
At 1 April 2018	247,776	24,778
Issue of shares	359	36
At 31 March 2019	248,135	24,814

The number of shares outstanding at the year end date for all other classes of shares is consistent with the prior year.

22. Reserves

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Profit and loss account - This reserve records retained earnings and accumulated losses.

23. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2019	2018	**2019**	2018
	£	£	**£**	£
Not later than 1 year	137,556	205,006	117,556	185,006
Later than 1 year and not later than 5 years	16,667	154,223	–	117,556
	154,223	359,229	117,556	302,562

24. Related party transactions

Group

The group and company were under the control of the directors throughout the current and previous year.

During the year the group was charged £12,000 (2018 - £12,000) from Discovery Investment Fund Limited, a firm in which Ann Budge is a director, for services to the group. At the year end the group was due to pay Discovery Investment Fund Limited £1,200 (2018 - £1,200).

Company

The company has no further related party transactions to disclose in addition to the transactions with Discovery Investment Fund Limited above.