31 March 2020

**CyanConnode Holdings plc**
("CyanConnode" or the "Company")

**Interim results**

CyanConnode Holdings plc (AIM: CYAN), a world leader in narrowband radio frequency (RF) mesh networks, today announces its interim results for the twelve months ended 31 December 2019.

Further to the announcement of 10 December 2019, in which the Company set out the revised reporting schedule following the decision to change the year end, these unaudited interim results are for the twelve months ended 31 December 2019 instead of the six months previously announced.

**Financial Highlights**

- Revenue of £2.3 million (2018: £4.5 million)
- Operating costs reduced by £2.2 million to £6.9 million (2018: £9.1 million)
- Operating losses reduced by 14% to £5.4 million (2018: £6.3 million)
- Basic and diluted loss per share improved by 41% to 2.51p from 4.26p loss per share in 2018
- Cash and cash equivalents at 31 December 2019 of £1.1 million (2018: £4.6 million)
- Approximately £3.9 million cash collected from debtors during 2019 (2018: £2.6 million)

**Operational Highlights**

- £1.13 million order received from JST Group for a Thai Utility
- £3.3 million Letter of Intent ("LOI") received from Genus Power Infrastructures Ltd ("Genus")
- £0.7 million follow-on order received from HM Power
- £0.4 million follow-on order received from Larsen & Toubro ("L&T")
- £0.2 million order received from Toshiba Information Systems (UK) Ltd ("Toshiba")
- Delay in the rollout of a large Indian contract caused a shortfall in revenue expectation
- Chris Jones and Peter Tyler appointed Non-Executive Directors in March 2019
- Change of External Auditor to RSM UK Audit LLP
- Change of financial year end to 31 March
- Launch of new Omnimesh products including a long-range RF module

**Post-Period Highlights**

- Circa £1 million cash received from debtors in the first quarter of 2020
- R&D tax credits of £0.8 million expected to be received during 2020
- Loan secured against R&D tax credits received in March 2020
- £3.3 million order for 142,000 modules received from Genus secured by a Letter of Credit ("LOC")
- Follow-on order received from Forth Corporation Public Company for a Thai Utility
- Launch of new Omnimesh Cellular products including Dual SIM Cellular Network Interface Card

**John Cronin, CyanConnode Executive Chairman, commented:**
"Notwithstanding a number of follow-on orders secured in India, Thailand and Europe throughout and since the financial year, the Board was disappointed not to achieve its original expectation. As previously stated, this was largely as a result of the Indian General Elections, which took place between April and May 2019, and caused a number of new tenders to be delayed and the rollout of one of the orders on its books to be significantly delayed. With demand remaining strong in India and Thailand, the Group has made an encouraging start to the first quarter of 2020, winning a significant order for a smart metering project in South India as well as a follow-on order for the Metropolitan Electricity Authority (MEA) in Thailand.

"The wellbeing and safety of our staff is paramount during these unprecedented times caused by COVID-19. We would like to reassure our customers and stakeholders that we are continuously monitoring the situation and are working tirelessly to ensure that CyanConnode can continue to deliver its products and services. Further information relating to the ways in which we are mitigating against the COVID-19 risk are set out in the Outlook section of this statement.

"We look forward to updating shareholders on future progress in due course."

**- Ends -**


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**About CyanConnode**
CyanConnode (AIM:CYAN.L) is a world leader in Narrowband Radio Frequency (RF) Smart Mesh Networks, which are used for machine to machine (M2M) communication. As well as being self-forming and self-healing, CyanConnode's RF Smart Mesh Networks are designed for rapid deployment, whilst giving exceptional performance and competitive total cost of ownership.

In June 2018, CyanConnode launched its award-winning Omnimesh Advanced Metering Infrastructure (AMI) platform, which has already gained considerable commercial traction, especially in India which is a key market for the Company.

Through a Global partner eco-system, which is vendor agnostic, CyanConnode has several routes to market, therefore it is well positioned to capitalise upon increasing Global demand for smart metering solutions.

For more information, please visit www.cyanconnode.com

The information communicated in this announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

**Operational Review**

***India***

2019 saw delays to the tendering process and to the roll out of existing contracts as a result of the Indian General Elections.

In February 2019, a follow-on order was received from Larsen & Toubro ("L&T"), worth approximately £0.4 million. The follow-on order relates to an order announced in May 2018, worth £2.5 million, with the deployment of smart meters progressing rapidly and already showing the benefits of the Omnimesh solution to the utility. All the Omnimesh RF Modules ordered in the follow-on order were delivered in H1 2019 and revenue recognised during the period. The full contract is being rolled out over a period of up to two years followed by a five-year support and maintenance period. The utility now intends to add a further 350,000 units across 5 RAPDRP towns to this project due to the benefits being provided by Omnimesh. It is expected these units will be RF Mesh, and the tender is currently underway. Several state-owned utilities and government agencies have visited the project and intend to follow the same model for their respective projects.

In April 2019, an order was received from a new partner, an Indian state-owned Utility, for the deployment of 3,000 Omnimesh Modules, which utilise a hybrid radio frequency ("RF") Smart Mesh and Cellular communication network. All hardware was delivered, and revenue recognised in H1 2019.

In July 2019, a follow-on order from Genus Power Infrastructures Ltd ("Genus") was received for a further 4,050 smart metering units for the deployment at Uttar Gujarat Vij Company Ltd ("UGVCL"). The initial order of 23,000 Omnimesh RF Modules placed in July 2017, was the first order from India for the IPv6-6LoWPAN based technology, which was developed by Connode AB in Sweden, prior to its acquisition by CyanConnode.

Further follow-on orders were received during 2019 and Q1 2020, including orders for the projects previously deployed at Chamundeshwari Electricity Supply Corporation (“CESC”), Singareni Collieries and Tata Power Mumbai, who recently placed an order to extend the Annual Maintenance Contract relating to an order received in 2014. These projects continue to perform well. A number of other small orders have been received including from Larsen & Toubro (“L&T”) for CyanConnode’s legacy product taking the total orders received by L&T for this product to over 50,000 to date, including the orders specifically for Tata Power Mumbai in previous years.

In December 2019, a Letter of Intent (“LOT”) for an order worth £3.3 million was received from Genus Power Infrastructures Ltd (“Genus”). The formal purchase order was placed in January 2020 and CyanConnode expects that revenue for 80% of the order will be recognised by mid-2021. Payments will be secured by a Letter of Credit.

***Europe***

In April 2019, a follow-on order worth £0.7 million was received from HM Power (“HMP”), for the smart metering of district heating and power, which demonstrates the flexibility of CyanConnode’s standards-based Omnimesh products. The order also included the new Omnimesh Long-Range RF Module that has a range of up to 12km, which increases the resilience of the RF Smart Network in rural areas. Delivery of the Omnimesh Long-Range RF Modules commenced in Q4 2019 and will continue throughout 2020.

In July 2019, a follow-on Nordic order worth €489,000 was received. The order was for legacy CyanConnode hardware and software from an existing Partner and the end customer is a Nordic Utility, who is expanding an existing smart metering deployment. All revenue relating to this order was recognised in 2019 and all cash has been received.

Additionally, a follow-on order from Toshiba worth approximately £0.2 million for service enhancements relating to the UK Smart Meter Implementation Program ("SMIP") was received in July 2019 and revenue recognised in H2 2019. CyanConnode's RF technology is embedded in the Toshiba SUK2 and SUK3 SMETS2 Communication Hubs ("RF Hubs"), which are installed when a meter is located in a spot that does not have a reliable cellular signal (known by mobile operators as "not-spots"). Toshiba Communications Hubs are being deployed under the Telefónica contract with The Smart DCC Ltd ("DCC") for the Central and Southern regions.

During 2019, the UK Government announced that it had extended the deadline for the rollout of SMETS2 meters by four years to 2024. The DCC aims to connect around 53 million smart gas and electricity meters to its secure network using SMETS2 meters and, in March 2020, it announced that 4.2 million (7.75% of the meter population) had been connected. The roll out of SMETS2 meters commenced in Q4 2018 and CyanConnode believes that, for ease of rapid deployment, installers are initially targeting installations of SMETS2 meters in densely populated areas that have a reliable cellular signal. CyanConnode believes that the installation of RF Hubs will gain momentum during later stages of the rollout.

Under its SMIP contract, CyanConnode calculates that 2.3 million Toshiba RF Hubs will eventually connect to the DCC secure network, and it is now beginning to see a small amount of revenue from those connections. However, as CyanConnode's SMIP contract is still at a relatively early stage, it is still not possible for the Company to confirm whether its revenue forecasts from the SMIP contract are accurate.

***APAC and Middle East***

The smart metering market in the APAC and Middle East continues to mature and presents a significant opportunity for CyanConnode.

In December 2018, CyanConnode announced a licensing agreement with Beijing Jingybeifang Instrument Co., Ltd ("Beijing Instruments"), providing it with the right to use CyanConnode's reference designs to manufacture Omnimesh RF Modules and Gateways. During 2019 the Company has been working closely with Beijing Instruments on tenders that may require smart meters with Omnimesh RF Modules and Gateways that are manufactured under the licence agreement.

In December 2019, an order was received from its Agent and Partner, The JST Group (JST), worth approximately £1.13 million, the order included 33,000 Omnimesh RF Modules. The end customer is Metropolitan Electricity Authority (MEA), a Thai state enterprise under the Ministry of Interior. This order included an advance payment of c. £0.3 million which was received in early January 2020. The purchase order relates to a smart metering deployment which includes an Omnimesh Head End Server (HES). Under the agreement CyanConnode will supply hardware, HES and an Annual Maintenance Contract (AMC). Deliverables for the integrated system, as well as hardware deliveries, commenced in 2020. The AMC will deliver a recurring revenue stream over an initial five-year period.

In March 2020, a follow-on order from Thailand for 206,735 Omnimesh perpetual software licences was received. The follow-on order was place by Forth Corporation Public Company Limited (Forth) with The JST Group (JST) acting as CyanConnode's Agent. The order increases the total value of orders received for MEA to more than $3 million. Under the contract, a payment of approximately $206,000, becomes due as soon as the order is placed. The additional Omnimesh software licences will allow MEA to connect up to 240,000 smart meters to the Omnimesh Head End Server (HES), which will serve the Thai Smart Metro Grid project. The order also includes an Annual Maintenance Contract for the maintenance of the HES, providing a further recurring revenue stream over an initial five-year period.

***New Range of Omnimesh Products***

During 2019 and into 2020, CyanConnode launched several exciting Omnimesh products. Omnimesh is an open standards platform which is currently being applied to the future-proofing of Advanced Metering Infrastructure (AMI) communications for Utilities. Omnimesh has offered market-leading RF Mesh Networks since its launch in June 2018. These new products include:

*Omnimesh Long-Range RF Network Interface Card*

The Omnimesh Long-Range RF Network Interface Card (LR-RFNIC) has a range of up to 12km and is designed to provide point-to-point communication in sparsely populated areas, providing resilient, cost-effective, RF Mesh Network coverage beyond the mainly urban rollouts deployed to date. The LR-RFNIC integrates into standard smart meters and enables long-range communication to be deployed alongside standard RF Mesh Networks built using the Omnimesh RF Network Interface Card (RFNIC).

*Omnimesh Metering of District Heating*

Omnimesh Smart Metering of District Heating has been designed to meter thermal energy consumption. District Heating is an environmentally friendly method of heating homes, schools and commercial premises from a central plant, which pumps heat to individual premises.

*Omnimesh Dual SIM Cellular Network Interface Card*

The new Omnimesh Dual SIM Cellular Network Interface Card (CNIC) delivers point-to-point Cellular connectivity and automatically selects the best available Cellular network. The CNIC integrates into standard smart meters, and enables Utilities to optimise their AMI programmes by choosing the right mix of RF Mesh and Cellular connectivity for their deployment environments and AMI requirements. A single Omnimesh Head End Server (HES) can simultaneously manage both CNIC and RF Mesh enabled smart meters. This cost-effective approach enables Utilities to collect meter data and control meters seamlessly through the integration of a single Omnimesh HES into a Meter Data Management System (MDMS).

*Omnimesh Integrated Gateway with Cellular and RF Mesh Capability*

The new Omnimesh Integrated Gateway (IGW) supports both Cellular and RF Mesh connectivity and acts as a gateway to the Omnimesh HES for a local population of smart meters. The IGW integrates into standard smart meters, which offers several advantages including: strengthened tamper-proofing, ease of integration, increased deployment efficiency, reduced total cost of ownership, and improved network coverage and resilience.

The new Omnimesh Cellular products deliver secure end-to-end communication across both public and private carrier networks. To meet a range of market requirements, the products are available in all cellular regions and bands, and support all the 2G, 3G, 4G, and emerging 5G standards, including NB-IoT and Cat-M1 IoT Cellular technologies.

**Board Changes**
Harry Berry and Paul Ratcliff stepped down from the Board during the period, and two new Non-Executive Directors, Chris Jones and Peter Tyler, were appointed.

**Change of Auditor and Year End**
The Company announced in December 2019 that it was appointing RSM UK Audit LLP as its External Auditor due to the length of tenure of its previous External Auditor, Deloitte LLP. Deloitte confirmed that there were no matters connected with it ceasing to hold office which need to be brought to the attention of the members or creditors of the Company, for the purposes of section 519 of the Companies Act 2006. As part of continued operational efficiency and cost management, the Group also aligned its financial year end with its Indian subsidiary, CyanConnode Private Limited, to 31 March.

**Financial Review**
Revenue for the period ended 31 December 2019 was £2.3 million (2018: £4.5 million). This decrease in revenue, compared to the same period in the prior year, was due to the Indian General Elections which delayed the roll-out of a key project and the award of other tenders. The General Election also caused delays in the awarding of new Indian contracts during the period.

The operating loss for the period was £5.4 million (2018: £6.3 million) and net loss after tax was £4.6 million (2018: £5.4 million).

During 2019, cash used by operations was £3.4 million (2018: £5.8 million) (see note 4). Cash received from debtors during 2019 was £3.9 million (2018: £2.6 million). Net cash and cash equivalents as at 31 December 2019 was £1.1 million (2018: £4.6 million), of which £0.1 million were investments. Cash received from customers during 2020 is c. £1 million and R&D tax credits of £0.8 million is expected to be received during 2020.

In 2019 the Company adopted IFRS16 (Leases). The impact of this adoption is reflected in the Financial Statements and explained in Note 1.

**COVID-19 Update and Outlook**

At the time of writing this report, CyanConnode has considered the impact of COVID-19 on its business, including first and foremost the wellbeing of employees, as well as contract deliverables to customers and the management of cashflow, to ensure the progression of its projects. Following advice issued by National Governments, employees are now operating productively from their homes and as they were accustomed to 'Remote Working', the Company was able to swiftly implement a 'Home Working' policy.

In the UK, all engineering staff were prepared with the necessary equipment and an agreed remote working model in preparation for the risk of a potential lock down. The remote working model allows the continuation of the Company's standard processes, with access to development and test environments. By using video conferencing and other remote meeting tools, CyanConnode Project Management Teams continue to support customer projects, so that they remain on track. CyanConnode Engineering Teams have the necessary equipment at home, including hardware rigs, to allow collaboration with their colleagues in different territories, to ensure customer deadlines are met. CyanConnode Manufacturing and Operations Teams have been working to secure the supply chain and they are beginning to see improved delivery times from Chinese manufacturers.

This pre-emptive planning means that in the second week of remote working the engineering team development work remains on track, thus keeping deliverables aligned to the original project timelines. When customers return to normal working practices the Company expects to be on track and ready to commence field work.

Covid-19 poses significant worldwide uncertainty. CyanConnode is working hard to understand the risks and how best to mitigate them and it will put in place the most appropriate measures to protect its business. CyanConnode is confident that it is effectively managing the challenges that Covid-19 presents.

CyanConnode is managing cash and costs and it expects to meet its obligations as and when they fall due. Almost £1 million of cash has been received from customers since the period end. In addition, to further improve its financial position, CyanConnode has secured funding against future Research and Development Tax Credits.

The Indian Government has stated a target of replacing 250 million conventional electricity meters with pre-paid smart meters within three years. Finance Minister Nirmala Sitharaman has allocated Rs 22,000 crore (c. US$3 billion) for the power and renewable sector in the Union Budget 2020 and has urged state governments to implement smart meters in three years, which would give the consumers the right to choose suppliers and the rate.[i] CyanConnode continues to make significant progress with various Indian Tenders and it anticipates the receipt of material orders in due course.

[1] https://economictimes.indiatimes.com/industry/energy/power/union-budget-rs-22000-crore-to-power-and-renewable-sector-consumers-to-get-choice-of-supplier/articleshow/73833750.cms

## Consolidated income statement

| | Note | 12 months to 31 December 2019 £000 | 12 months to 31 December 2018 £000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | | **2,307** | 4,465 |
| Cost of sales | | **(850)** | (1,724) |
| **Gross profit** | | **1,457** | 2,741 |
| Other operating costs | | **(6,268)** | (8,589) |
| Amortisation / depreciation | | **(623)** | (472) |
| **Total operating costs** | | **(6,891)** | (9,061) |
| **Operating loss** | | **(5,434)** | (6,320) |
| Investment income | | **13** | 13 |
| Finance costs | | **(26)** | (2) |
| **Loss before tax** | | **(5,447)** | (6,309) |
| Tax credit | | **862** | 927 |
| **Loss for the year** | | **(4,585)** | (5,382) |
| Loss per share (pence) | | | |
| Basic | 3 | **(2.51)** | (4.26) |
| Diluted | 3 | **(2.51)** | (4.26) |

## Consolidated statement of comprehensive income

Derived from continuing operations and attributable to the equity owners of the Company

| | 12 months to 31 December 2019 £000 | 12 months to 31 December 2018 £000 |
|---|---|---|
| Loss for the year | **(4,585)** | (5,382) |
| **Items that may be reclassified subsequently to profit and loss** | | |
| Exchange differences on translation of foreign operations | **(165)** | 54 |
| Total comprehensive income for the year | **(4,750)** | (5,328) |

## Consolidated statement of Financial Position

| As at | 31 December 2019 £000 | 31 December 2018 £000 |
|---|---|---|
| **Non-current assets** | | |
| Intangible assets | **4,628** | 5,048 |
| Goodwill | **1,930** | 1,930 |
| Investments | **92** | 44 |
| Property, plant and equipment | **51** | 73 |
| IFRS 16 right of use assets | **316** | - |
| **Total non-current assets** | **7,017** | 7,095 |
| **Current assets** | | |
| Inventories | **299** | 319 |
| Trade and other receivables | **4,280** | 4,827 |
| Cash and cash equivalents | **1,106** | 4,564 |
| **Total current assets** | **5,685** | 9,710 |
| **Total assets** | **12,702** | 16,805 |
| **Current liabilities** | | |
| Trade and other payables | **(1,789)** | (1,994) |
| IFRS 16 lease liability | **(158)** | - |
| **Total current liabilities** | **(1,947)** | (1,994) |
| **Net current assets** | **3,738** | 7,716 |
| **Non-current liabilities** | | |
| IFRS 16 lease liability | **(153)** | - |
| Deferred tax liability | **(530)** | (690) |
| **Total non-current liabilities** | **(683)** | (690) |
| **Total liabilities** | **(2,630)** | (2,684) |
| **Net assets** | **10,072** | 14,121 |
| **Equity** | | |
| Share capital | **3,656** | 3,648 |
| Share premium account | **69,547** | 69,515 |
| Own shares held | **(3,253)** | (3,253) |
| Share option reserve | **2,422** | 1,761 |
| Translation reserve | **(241)** | (76) |
| Retained losses | **(62,059)** | (57,474) |
| **Total equity being equity attributable to owners of the Company** | **10,072** | 14,121 |

## Consolidated statement of changes in equity

| | Share capital £000 | Share premium account £000 | Own shares held £000 | Share option reserve £000 | Translation reserve £000 | Retained losses £000 | Total equity £000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2018 | 2,559 | 65,655 | (3,253) | 1,316 | (130) | (52,092) | 13,955 |
| | | | | | | | |
| Issue of share capital | 1,089 | 3,950 | - | - | - | - | 5,039 |
| Share-based payments | - | - | - | 445 | - | - | 445 |
| Transactions with owners | 1,089 | 3,950 | - | 445 | - | - | 5,484 |
| | | | | | | | |
| Loss for the year | - | - | - | - | - | (5,382) | (5,382) |
| Other comprehensive income | - | - | - | - | 54 | - | 54 |
| Total comprehensive income | - | - | - | - | 54 | (5,382) | (5,328) |
| | | | | | | | |
| At 31 December 2018 | 3,648 | 69,515 | (3,253) | 1,761 | (76) | (57,474) | 14,121 |
| | | | | | | | |
| Issue of share capital | 8 | 32 | - | - | - | - | 40 |
| Share-based payments | - | - | - | 661 | - | - | 661 |
| Transactions with owners | 8 | 32 | - | 661 | - | - | 701 |
| | | | | | | | |
| Loss for the year | - | - | - | - | - | (4,585) | (4,585) |
| Other comprehensive income | - | - | - | - | (165) | - | (165) |
| Total comprehensive income | - | - | - | - | (165) | (4,585) | (4,750) |
| | | | | | | | |
| **At 31 December 2019** | **3,656** | **69,547** | **(3,253)** | **2,422** | **(241)** | **(62,059)** | **10,072** |

**Consolidated cash flow statement**

| | 12 months to 31 December 2019 £000 | 12 months to 31 December 2018 £000 |
|---|---|---|
| Net cash outflow from operating activities (Note 4) | **(3,378)** | (5,843) |
| Investing activities | | |
| Interest received | **13** | 13 |
| Purchases of property, plant and equipment | **(3)** | (41) |
| Disposal of investments | **48** | 4 |
| Net cash used in investing activities | **58** | (24) |
| Financing activities | | |
| Capital repayments on IFRS 16 lease liability | **(152)** | - |
| Interest paid | **(26)** | (2) |
| Proceed on issue of shares | **40** | 5,467 |
| Share issue costs | **-** | (428) |
| Net cash from financing activities | **(138)** | 5,037 |
| Net decrease in cash and cash equivalents | **(3,458)** | (830) |
| Cash and cash equivalents at beginning of period | **4,564** | 5,394 |
| **Cash and cash equivalents at end of period** | **1,106** | 4,564 |

## Notes to the Accounts

### 1. Basis of Preparation

The interim financial information has been prepared in accordance with the IFRS accounting policies used in the statutory financial statements for the year ended 31 December 2018, with the exception to the adoption of IFRS 16 “Leases” as detailed below.

These interim financial statements do not constitute statutory financial statements within the meaning of section 435 of the Companies Act 2006. Results for the twelve-month period ended 31 December 2019 have not been audited. The results for the year ended 31 December 2018 have been extracted from the statutory financial statements of CyanConnode Holdings plc.

Statutory financial statements for the year ended 31 December 2018 are available on the Group’s website www.cyanconnode.com and have been filed with the Registrar of Companies. The Group’s auditor issued a report on those financial statements that was unqualified and did not contain a statement under section 498(2) or section 498(3) of the Companies Act 2006; however the auditor’s report emphasised the uncertainty around the Group’s ability to continue as a going concern.

IFRS 16 brings all operating leases onto the statement of financial position. The leases effected are the Group’s head office in Cambridge.

The Group has used the modified retrospective transition approach on adoption of IFRS 16 Leases, where the initial right of use asset values recognised on property leases of £473,000 are equal to the present value of the future lease payments of £473,000 as at the date of transition (1 January 2019).

The impact on the consolidated statement of comprehensive income is a reduction in operating losses of £20,000 as the pre-IFRS 16 rental charge is replaced by depreciation charge and interest cost. There has been no impact on cash flows, although the presentation of the Cash Flow Statement has changed in the period with an increase in net cash inflows from operating activities being offset by an increase in net cash outflows from financing activities (interest paid). There is no net impact on the opening balance sheet and the depreciation and interest payable have been increased by £158,000 and £26,000 respectively, with the rental cost in the period being reduced by £176,000.

### 2. Going Concern

To assess the ability of the Group to continue as a going concern, the Directors have prepared a business plan and cash flow forecast for the period to 31 March 2021 which together represent the Directors' best estimate of the future development of the Group. The forecast contains certain assumptions, the most significant of which are the level and timing of customer receipts. The Directors believe that the Group will be able to meet their liabilities as they fall due for at least 12 months, however they have highlighted the risks that the Group continues to face below.

At the time of writing this report, the coronavirus COVID-19 is having a significant impact on the world, with a large part of the world being required to remain in isolation and many businesses being unable to operate. The Company has set out how it is mitigating against the risks being posed by the virus in the Outlook section of these accounts. Notwithstanding, there is a risk that the isolation measures could last longer than anticipated and that projects could be delayed further than currently anticipated.

The Group trades in emerging country markets. Such markets have an inherent level of uncertainty associated with them and this may result in the predicted level of sales not being achieved, and/or the timing of customer receipts being delayed. The Directors have taken reasonable steps to satisfy themselves about the robustness of their forecasts but acknowledge that the collection of customer receipts in the Group's target markets can take longer than expected. This may impact the timing of the Group's ability to generate positive cash flow. There is also a risk that the level of sales achieved is lower than the forecast or may be delayed.

There is a level of uncertainty related to the assumptions described above which may cast doubt on the Group and Company's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include the adjustments that would result if the Group or Company was unable to continue as a going concern. In the event the Group and Company ceased to be a going concern, the adjustments would include writing down the carrying value of assets, including stocks, to their recoverable amount and providing for any further liabilities that might arise.

Notwithstanding the uncertainties described above, on the basis of sensitivities applied to the cash flow forecast, of contracted sales orders which are currently being delivered to customers on further orders which the Group expects to win, the Directors have a reasonable expectation that the Company and Group can continue to meet its liabilities as they fall due, for a period of at least twelve months from the date of approval of this report.

**3. Loss per Share**

The calculation of the basic and diluted loss per share is based on the following data:

| | 12 months to 31 December 2019 | 12 months to 31 December 2018 |
|---|---|---|
| Loss for the purposes of basic loss per share being net loss attributable to equity holders of the parent (£000) | **(4,575)** | (5,382) |
| Weighted average number of ordinary shares for the purposes of basic and diluted loss per share | **182,631,857** | 126,443,036 |
| Loss per share (pence) | **(2.51)** | (4.26) |

The denominations used are the same as those detailed above for both basic and diluted earnings per share from continuing operations. However, in accordance with IAS 33 "Earnings Per Share", potential ordinary shares are only considered dilutive when their conversion would decrease the profit per share or increase the loss per share from continuing operations attributable to the equity shareholders.

**4. Reconciliation of Operating Loss to Operating Cash Flows**

| | 12 months to 31 December 2019 £000 | 12 months to 31 December 2018 £000 |
|---|---|---|
| Operating loss for the year: | **(5,434)** | (6,320) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **202** | 51 |
| Amortisation of Intangible assets | **421** | 421 |
| Impairment of stock | **4** | 578 |
| Provision for expected credit losses | **12** | 64 |
| Foreign exchange | **(165)** | 55 |
| Share-option payment expense | **661** | 445 |
| Operating cash flows before movements in working capital | **(4,299)** | (4,706) |
| Decrease in inventories | **20** | 231 |
| (Increase)/decrease in receivables | **284** | (2,441) |
| Decrease in payables | **(205)** | (253) |
| Cash reduced by operations | **(4,200)** | (7,169) |
| Income taxes received | **822** | 1,326 |
| Net cash outflow from operating activities | **(3,378)** | (5,843) |

**5. Interim Results**

The Group's Interim Results report is available for download on the Group's website. The report will not be posted to shareholders.