

15 December 2020

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

**Interim results for the six months ended 30 September 2020**

CyanConnode (AIM: CYAN), a world leader in narrowband radio frequency (RF) mesh networks, announces its interim results for the six months ended 30 September 2020.

**Financial and Operational Highlights**

- Revenue up 48% to £1.499m (H1 2019: £1.01m)
- Gross profit up 74% to £831k (H1 2019: £477k)
- LBITDA reduced by 55% to £1.317m (H1 2019: £2.909m)
- £1.6 million cash received from customers during the period
- Cash and cash equivalents at end of period £1m (H1 2019: £2.3m)
- Order for 350,000 Omnimesh modules worth more than £6 million
- Previously delayed Indian contract resumed worth INR 1 billion (c. £10.5m) with cash being received for the first 40,000 modules and a Letter of Credit securing remaining payments
- Commencement of rollout of projects in India and Thailand following easing of COVID-19 lockdowns
- Continued rollout of Swedish projects
- 92,000 modules shipped against current contracts during the period

**Post-Period Highlights**

- The appointment of a new senior management team in India in December 2020
- Significant increases of deliveries against existing contracts in India and Thailand with the shipment of 121,000 modules since the end of September
- Revenue in the eight months to the end of November 2020 exceeds revenue for the whole of the previous fifteen-month financial period
- Short-term working capital loan of £400,000 secured from certain Directors in December 2020

**John Cronin, CyanConnode Executive Chairman, commented:**

"Despite most countries in which CyanConnode operates being in lockdown for the first half of the period, between June and September 2020 the Company saw a significant increase in the volume of modules being shipped to customers and a significant increase in cash collection as a result. The Board is very encouraged by the success of all CyanConnode's deployments, and is especially pleased to see the progress being made against contracts in India and Thailand during the period.

"With the Government of India executing its plan to rollout 250 million meters in the next few years we were very pleased to announce the appointment of a new senior management team, and look forward to utilising their significant experience to take our Indian business to the next stage of its development.

"The world continues to be affected by the COVID-19 pandemic and the wellbeing and safety of our staff is paramount during these unprecedented times. We continue to reassure our customers and stakeholders that, as always, we are monitoring the situation and working tirelessly to ensure that CyanConnode can continue to deliver its products and services.

"Our teams continue to work closely with partners to demonstrate the capability of our solution and to ensure that customers realise the benefit of a fully automated smart metering system."

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

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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](http://www.cyanconnode.com).

## Chairman's Statement

### Financial highlights

#### Key figures

	H1 2020 £'000	Restated H1 2019 £'000	% Change
Revenue	1,499	1,014	↑ 48%
Gross profit	831	477	↑ 74%
Operating costs	(2,453)	(3,621)	↓ 32%
LBITDA *	(1,317)	(2,909)	↓ 55%
Cash	952	2,288	↓ 58%

\* Where "LBITDA" is Loss before Interest, Tax, Depreciation and Amortisation. This is calculated by adding depreciation and amortisation back to the Operating loss.

- **Revenue** The first half-year of 2020/21 was marked by the COVID-19 pandemic. Despite the lockdowns in most countries around the world, CyanConnode was pleased to see revenue growth of almost 50% in the first six months of the financial year compared with the first six months of 2019
- **Operating costs** reduced by 32% (£1.2m) for the first six months compared to the first six months of 2019. This was largely due to reduction in staff costs, and travel costs reduced due to the Covid-19 pandemic
- **LBITDA** reduced by 55% (£1.6m) for the first six months compared to the first six months of 2019
- **Basic and diluted loss per share** improved by 53% from 1.64p to 0.78p compared to the first six months of 2019
- **Cash and cash equivalent** decreased from £2.3m in 30 June 2019 to £1.0m as at 30 September 2020
- **Accounts receivables** a total of £1.6m cash has been collected from customers during the period, and £0.75m since period end

### Operational Review

#### India

During the period, CyanConnode saw the deployment of its largest order to date (430,000 modules) resume, and also announced the winning of its second largest order to date (350,000 modules). This order was for smart metering communications for the Indian state-owned utility "Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Ltd" ("MPWZ"), for smart metering communications in the towns of Ujjain, Dewas, Ratlam, Mhow and Khargone.

MPWZ serves more than 3 million consumers and we have previously announced and deployed two orders for this utility, totalling 120,000 modules. This latest order, which is the third order for MPWZ, will increase the total number of its Omnimesh enabled smart meters to 470,000. This is the first Indian order where the Omnimesh Head End Server, ("HES"), will be deployed to communicate with both RF Mesh and Cellular enabled smart meters.

Most of the order is being paid for under a CapEx model with the balance of the order being paid for under an OpEx model with Equated Monthly Instalments ("EMI"), over a five-year period. The smart meters, which are being supplied by existing partners, will be deployed over thirty months, with initial deliveries commencing in Q3 2020. Installations of gateways and meters for this project are now underway.

The value of orders currently being deployed by CyanConnode in India is approximately INR 1.8 billion (c. £19m) and an update to our order book for modules is set out in the table below. The majority of the revenue for these orders is expected to be recognised over the next two years, with payments secured against LoCs.

## Modules on order

Project	Ordered	Delivered*	Balance remaining
JVVNL(1)	281,782	68,000	213,782
JVVNL(2)	149,089	52,000	97,089
Tangedco	142,069	34,000	108,069
MPWZ	350,000	6,000	344,000
<b>Total</b>	<b>922,940</b>	<b>160,000</b>	<b>762,940</b>

\*These include deliveries to the 14<sup>th</sup> of December just prior to release of these interim results

During the first half of the current financial year there has been a significant increase in activity in the Indian market as the Government of India moves forward with its plan to deploy 250 million smart meters. The Government of India has issued a framework for Advanced Metering Infrastructure Service Providers (“AMI SPs”) to be set up to roll out and manage large scale tenders. Under this framework, Special Purpose Vehicles (“SPVs”) will be set up to fund and run the projects. It is anticipated that these large-scale projects will use ‘Opex’ models, where utilities will pay the SPVs on a per meter per month basis.

Smart meters will help India develop a smart grid, reduce consumer power outages, address challenges evolving from the energy mix and improve billing efficiency. The deployment of these smart meters is also expected to improve consumer energy efficiency and the quality of networks and services.

The COVID-19 pandemic has caused global turmoil in financial and commodity markets. The energy sector was also hit hard, with demand dipping sharply as nearly one-third of the global population stayed indoors during the lockdown. While the world concurrently deals with the continued pandemic and the complexities of climate change, it needs to plan for a clean and resilient recovery of the energy sector. Smart metering presents exciting new opportunities for energy companies and consumers alike, and will play an important role in growing a low carbon energy sector. Considering COVID-19 social distancing guidelines and government regulations, or those caused by any natural calamity where physical access is disrupted, it is important to understand that smart metering supports remote meter reading. This provides energy suppliers with the option to connect (or disconnect) remotely, thus avoiding potential personal conflict between a consumer and the energy supplier. It also reduces the operational expenditure of the energy supplier, due to manual meter reading and associated inefficiencies or manipulations and eliminates physical activities, thereby helping to reduce the energy supplier’s carbon footprint.

### *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 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 circa £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 is supplying hardware, HES and an Annual Maintenance Contract (AMC). The AMC will deliver a recurring revenue stream over an initial five-year period. Deliverables for the integrated system, as well as hardware deliveries, commenced in 2020 and to the end of the period 15,000 modules had been shipped to the customer. The remaining 18,000 modules have been shipped since the end of the period. In total, an amount of USD [1.1 million] has been collected from the customer for the project.

In March 2020, a follow-on order from Thailand for 206,735 Omnimesh perpetual software licenses was received. The follow-on order was placed by Forth Corporation Public Company Limited (Forth) with The JST Group (JST) acting as CyanConnode’s Agent. The order increased the total value of orders received for MEA to more than USD 3 million. Under the contract, a payment of approximately USD 206,000, was made when the order was placed. The additional Omnimesh software licenses will allow MEA to connect up to 240,000 smart meters to the Omnimesh 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.

We are delighted to confirm that the project is progressing well and our technology, (HES and Communications), is operating well under Thai Radio Frequency (“RF”) regulations. Installation in a 42-floor tower block is nearly complete and measurement of data back to the Omnimesh HES is greater than 99% against the Service Level Agreement.

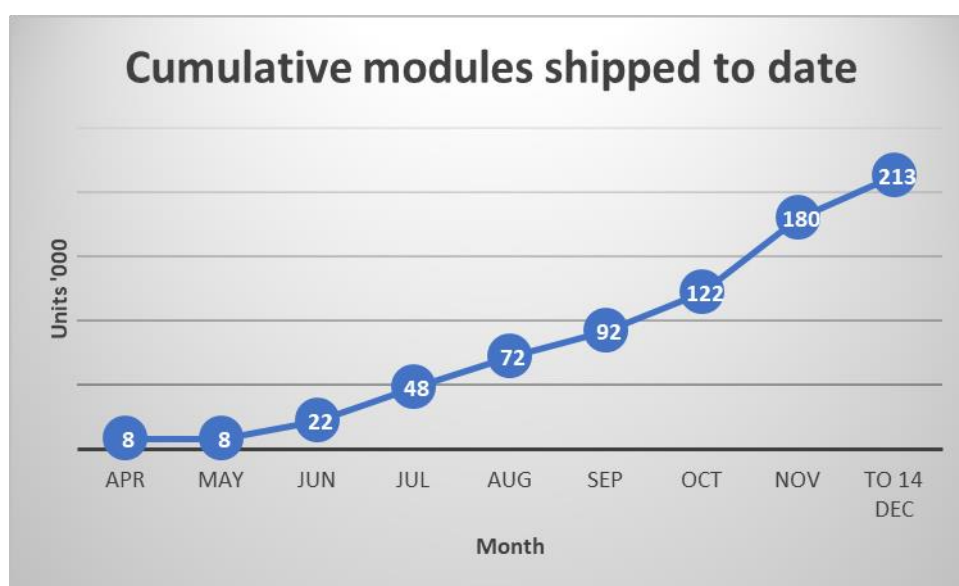
### Europe

In April 2019, a follow-on order worth £0.7m was received from HM Power (“HMP”), for the smart metering of district heating and power, which demonstrated 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 has continued throughout 2020 with more than 30,000 modules (approximately one third of the contract) being delivered to the customer during the period.

During 2019, the UK Government announced that it had extended the deadline for the rollout of SMETS2 meters by four years to 2024. In early 2020 it extended this deadline by a further six months because of the COVID-19 pandemic, which had stalled smart meter installations due to lockdowns. The DCC aims to connect around 53 million smart gas and electricity meters to its secure network using SMETS2 meters and, in November 2020, it announced that more than 5.9 million (circa 11% of the meter population) had been connected, with October 2020 being its busiest month for SMETS2 meter installations on record. The roll out of SMETS2 meters commenced in Q4 2018 and, as previously announced, 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 its RF technology will gain momentum during later stages of the rollout.

### Post period end developments

Since the end of September 2020, the Group has seen further acceleration in the deployment of its projects, and is now shipping larger numbers of modules than at any time in its history, particularly in India against projects announced during the period. A further 121,000 modules have been shipped since the end of September, taking the total of modules shipped during the financial year to 213,000. Revenue in the eight months to the end of November has exceeded the revenue taken for the fifteen-month period ended 31 March 2020. Cash for these shipments is being collected either by advance payment, or by LoCs.



In December 2020, the Company announced the appointment of a new senior management team to head up its Indian operations.

Ajoy Rajani was appointed as Managing Director and Chief Executive Officer India. Ajoy Rajani is a highly experienced and well-regarded business leader within the Indian Power Sector and also has a wealth of expertise in the Telecoms and IT Sectors. He has held various senior positions with Reliance Communications and Reliance Energy for the last sixteen years, also having held the position of Senior Executive Vice President of Adani Energy Mumbai, where he has driven technological innovation to increase revenues to circa USD 100m.

Ratna Garapati joined CyanConnode as Chief Operating Officer India and has over 25 years' experience in product development and management, IT business operations management and strategic planning and digital transformation. Ratna most recently held the position of Vice President at Trilliant India, where he was responsible for business development, strategy, and operations. His key achievements at Trilliant India includes the winning

and implementation of multiple smart grid pilots and actively participating in the implementation of over 5 million Smart Meters, of which 1.3 million have been commissioned. Prior to Trilliant, Ratna was Chief Delivery Officer of Smart Energy and Smart Cities for Fluentgrid India, where he customised and deployed the world's largest Cloud Utility Billing Solution in Uttar Pradesh for 22 million consumers in 6 months and demonstrated the scalability of Meter Data Management System, (MDMS), for 10 million smart meters. In his role as Chief Operating Officer India, he will be responsible for managing CyanConnode India's operations and customer delivery functions.

In addition, Atin Srivastava was appointed as Sales Director for India. Having worked with Feedback Infra, Tech Mahindra, Ericsson, HCL Infosystem, he has a recognised proficiency in leading business development activities and spearheading sales and marketing operations. Atin has deep expertise in the Indian power and energy distribution market. He has built strong relationships with agencies of the Indian central government including the Minister of Power and Rural Electrification Corporation and has achieved more than USD 100m in revenue this year.

At a Group level, Allan Baig was promoted to Group Chief Operating Officer which is a non-Board role. Allan joined CyanConnode in June 2017 and has thirty years' experience in management and engineering with leading technology companies. Prior to joining CyanConnode, he held the position of Project Manager at Landis + Gyr and led their UK Smart Meter Implementation Program, (UKSMIP). Alan was responsible for project management across engineering functions, including product development, systems integration, and deployment, predominantly for UKSMIP. As Group Chief Operating Officer at CyanConnode, he will lead all operations and engineering disciplines across teams in the UK and India.

In December 2020, the Company was also pleased to announce that it had secured a £400,000 working capital facility from certain Directors for working capital to fund growth.

## **COVID-19 Update**

At the time of writing this report, the United Kingdom is out of the second lockdown but is in a restricted tier system. 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, the Company has implemented a 'Home Working' policy and employees continue to operate productively from their homes.

In the UK, all engineering staff were provided with the necessary equipment and 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's Project Management teams continue to support customer projects, so that they remain on track. CyanConnode's 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's Manufacturing and Operations teams have been working to secure the supply chain.

The engineering team's 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 is ready for field work.

COVID-19 poses significant worldwide uncertainty. CyanConnode has been working hard to tackle the risks and has implemented policies to mitigate them, and put in place the most appropriate measures to protect its business. CyanConnode is confident that it has been 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 and £0.75 million of cash has been received from customers since the period end.

## Consolidated Income Statement

	Note	Unaudited 6 months to 30 September 2020 £000	Restated** Unaudited 6 months to 30 June 2019 £000	15 Months to 31 March 2020 £000
<b>Continuing operations</b>				
Revenue		1,499	1,014	2,451
Cost of sales		(668)	(537)	(1,081)
<b>Gross profit</b>		<b>831</b>	<b>477</b>	
Other operating costs		(2,148)	(3,386)	(6,827)
Amortisation / depreciation		(305)	(235)	(773)
<b>Total operating costs</b>		<b>(2,453)</b>	<b>(3,621)</b>	<b>(7,600)</b>
<b>Operating loss</b>		<b>(1,622)</b>	<b>(3,144)</b>	<b>(6,230)</b>
Investment income		1	10	17
Finance costs		(102)	(2)	(30)
<b>Loss before tax</b>		<b>(1,723)</b>	<b>(3,136)</b>	<b>(6,243)</b>
Tax credit		377	300	576
<b>Loss for the period</b>		<b>(1,346)</b>	<b>(2,836)</b>	<b>(5,667)</b>
Loss per share (pence)				
Basic	3	(0.78)	(1.64)	(3.27)
Diluted	3	(0.78)	(1.64)	(3.27)

\*\* The comparatives for the 6 months to 30 June 2019 have been restated to include a share-based payment charge of £107,000.

## Consolidated statement of comprehensive income

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

	Unaudited 6 months to 30 September 2020 £000	Restated Unaudited 6 months to 30 June 2019 £000	15 months to 31 March 2020 £000
Loss for the period	(1,346)	(2,836)	(5,667)
<b>Items that may be reclassified subsequently to profit and loss</b>			
Exchange differences on translation of foreign operations	131	123	56
<b>Total comprehensive income for the year</b>	<b>(1,215)</b>	<b>(2,713)</b>	<b>(5,611)</b>

## Consolidated statement of Financial Position

As at	Unaudited 30 September 2020 £000	31 March 2020 £000
<b>Non-current assets</b>		
Intangible assets	4,365	4,558
Goodwill	1,930	1,930
Fixed asset investments	91	93
Property, plant and equipment	41	43
Right of use asset	196	274
<b>Total non-current assets</b>	<b>6,623</b>	<b>6,898</b>
<b>Current assets</b>		
Inventories	304	308
Trade and other receivables	3,863	3,676
Cash and cash equivalents	952	1,172
<b>Total current assets</b>	<b>5,119</b>	<b>5,156</b>
<b>Total assets</b>	<b>11,742</b>	<b>12,054</b>
<b>Current liabilities</b>		
Short term borrowing	(785)	(560)
Trade and other payables	(2,157)	(1,491)
Lease liability	(131)	(121)
<b>Total current liabilities</b>	<b>(3,073)</b>	<b>(2,172)</b>
<b>Net current assets</b>	<b>2,046</b>	<b>2,984</b>
<b>Non-current liabilities</b>		
Lease liability	(65)	(153)
Deferred tax liability	(853)	(912)
<b>Total non-current liabilities</b>	<b>(918)</b>	<b>(1,065)</b>
<b>Total liabilities</b>	<b>(3,991)</b>	<b>(3,237)</b>
<b>Net assets</b>	<b>7,751</b>	<b>8,817</b>
<b>Equity</b>		
Share capital	3,666	3,656
Share premium account	69,556	69,547
Own shares held	(3,253)	(3,253)
Share option reserve	2,158	2,028
Translation reserve	111	(20)
Retained losses	(64,487)	(63,141)
<b>Total equity being equity attributable to owners of the Company</b>	<b>7,751</b>	<b>8,817</b>



## Consolidated statement of changes in equity

	Share Capital £000	Share Premium Account £000	Own Shares Held £000	Restated Share Option Reserve £000	Translation Reserve £000	Retained Losses £000	Total Equity £000
<b>Balance at 1 January 2019</b>	<b>3,648</b>	<b>69,515</b>	<b>(3,253)</b>	<b>1,761</b>	<b>(76)</b>	<b>(57,474)</b>	<b>14,121</b>
Loss for the period	-	-	-	-	-	(2,836)	(2,836)
Other comprehensive income for the period	-	-	-	-	123	-	123
<b>Total comprehensive income for The period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>123</b>	<b>(2,836)</b>	<b>(2,713)</b>
Issue of share capital	-	-	-	-	-	-	-
Credit to equity for share options	-	-	-	107	-	-	107
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>107</b>	<b>-</b>	<b>-</b>	<b>107</b>
<b>Balance at 30 June 2019</b>	<b>3,648</b>	<b>69,515</b>	<b>(3,253)</b>	<b>1,868</b>	<b>47</b>	<b>(60,310)</b>	<b>11,515</b>
Loss for the period	-	-	-	-	-	(2,831)	(2,831)
Other comprehensive income for the period	-	-	-	-	(67)	-	(67)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(67)</b>	<b>(2,831)</b>	<b>(2,898)</b>
Issue of share capital	8	32	-	-	-	-	40
Credit to equity for share options	-	-	-	160	-	-	160
<b>Total transactions with owners</b>	<b>8</b>	<b>32</b>	<b>-</b>	<b>160</b>	<b>-</b>	<b>-</b>	<b>200</b>
<b>Balance at 31 March 2020</b>	<b>3,656</b>	<b>69,547</b>	<b>(3,253)</b>	<b>2,028</b>	<b>(20)</b>	<b>(63,141)</b>	<b>8,817</b>
Loss for the period	-	-	-	-	-	(1,346)	(1,346)
Other comprehensive income for the period	-	-	-	-	131	-	131
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>131</b>	<b>(1,346)</b>	<b>(1,215)</b>
Issue of share capital	10	9	-	-	-	-	19
Credit to equity for share options	-	-	-	130	-	-	130
<b>Total transactions with owners</b>	<b>10</b>	<b>9</b>	<b>-</b>	<b>130</b>	<b>-</b>	<b>-</b>	<b>149</b>
<b>Balance at 30 September 2020</b>	<b>3,666</b>	<b>69,556</b>	<b>(3,253)</b>	<b>2,158</b>	<b>111</b>	<b>(64,487)</b>	<b>7,751</b>

## Consolidated cash flow statement

	Unaudited 6 months to 30 September 2020 £000	Unaudited 6 months to 30 June 2019 £000	15 months to 31 March 2020 £000
<b>Net cash outflow from operating activities (Note 4)</b>	<b>(375)</b>	<b>(2,211)</b>	<b>(3,677)</b>
<b>Investing activities</b>			
Interest received	1	10	17
Purchases of property, plant and equipment	(11)	(18)	(20)
Capitalisation of software development	(20)	-	(36)
Disposal of investments	-	(55)	(49)
<b>Net cash used in investing activities</b>	<b>(30)</b>	<b>(63)</b>	<b>(88)</b>
<b>Financing activities</b>			
Interest paid	(24)	(2)	(4)
Capital repayments of lease liability	(33)	-	(197)
Cash inflow from borrowing	225	-	560
Interest paid on lease liabilities	(3)	-	(26)
Proceeds on issue of shares	20	-	40
<b>Net cash from financing activities</b>	<b>185</b>	<b>(2)</b>	<b>373</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(220)</b>	<b>(2,276)</b>	<b>(3,392)</b>
Cash and cash equivalents at beginning of period	1,172	4,564	4,564
<b>Cash and cash equivalents at end of period</b>	<b>952</b>	<b>2,288</b>	<b>1,172</b>

## 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 period ended 31 March 2020.

These interim financial statements do not constitute statutory financial statements within the meaning of section 435 of the Companies Act 2006. Results for the six-month period ended 30 September 2020 have not been audited. The results for the financial period ended 31 March 2020 have been extracted from the statutory financial statements of CyanConnode Holdings plc.

Statutory financial statements for the period ended 31 March 2020 are available on the Group's website [www.cyanconnode.com](http://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.

### 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 2022 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 sales and the timing of customer payments. These detailed cashflow scenarios include LoCs which have been secured from the customers against contracts recently won. Cash has been received regularly against these LoCs.

At 30 September 2020 the Group had cash reserves of £1 million (31 March 2020: £1.1 million) and based on the detailed cash flow provided to the Board within the FY2021/22 budget, there is sufficient cash to see the Group through to profitability based on its standard operating model. If a more pessimistic scenario were taken and an assumption were taken that no cash is received within the next twelve months from any new orders not currently contracted, and that there were significant delays to receipts from customers, there is a material uncertainty relating to the Group's ability to continue as a going concern. Should the Group experience such downside sensitivities the directors would first continue to look at measures such as further cost reduction and working capital facilities as ways to conserve cash within the business. The Company has offers of convertible and secured loans which it could accept should such a requirement arise.

In addition, during 2020 the COVID-19 pandemic has affected the global economy and businesses around the world, particularly during the lockdowns in each country. At the time of writing this report, the effects continue to be seen.

To assist with working capital during this period of growth, the Company accepted a loan of £400,000 from certain Directors in December 2020.

Notwithstanding the material uncertainties described above, on the basis of sensitivities applied to the cash flow forecast, the directors have a reasonable expectation that the company can continue to meet its liabilities as they fall due, for a period of at least 12 months from the date of approval of this report.

## Notes to the Accounts *continued*

### 3. Loss per Share

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

	Unaudited 6 months to 30 September 2020	Restated Unaudited 6 months to 30 June 2019	15 months to 31 March 2020
Loss for the purposes of basic loss per share being net loss attributable to equity holders of the parent (£000)	(1,346)	(2,836)	(5,667)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	173,548,480	172,931,267	173,047,934
Loss per share (pence)***	(0.78)	(1.64)	(3.27)

The weighted average number of shares and the loss for the period for the purposes of calculating diluted loss per share are the same as for the basic loss per share calculation. This is because the outstanding share options would have the effect of reducing the loss per share and would not, therefore, be dilutive under the terms of IAS 33.

\*\*\* Loss per share for the unaudited 6 months to 30 June 2019 has been restated to exclude own shares held.

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

	Unaudited 6 months 30 September 2020 £000	Restated Unaudited 6 months to 30 June 2019 £000	15 months to 31 March 2020 £000
Operating loss for the period:	(1,622)	(3,144)	(6,230)
Adjustments for:			
Depreciation of property, plant and equipment	95	25	247
Amortisation of Intangible assets	210	210	526
Foreign exchange	71	115	59
Share-option payment expense	130	107	267
Operating cash flows before movements in working capital	(1,116)	(2,687)	(5,131)
Decrease/(increase) in inventories	4	25	11
(Increase)/decrease in receivables	(79)	940	(1,124)
Increase/(decrease) in payables	666	(489)	(503)
Cash reduced by operations	(525)	(2,211)	(4,499)
Income taxes received	150	-	822
Net cash outflow from operating activities	(375)	(2,211)	(3,677)

### 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.