CYANCONNODE

ANNUAL REPORT AND ACCOUNTS **2021**

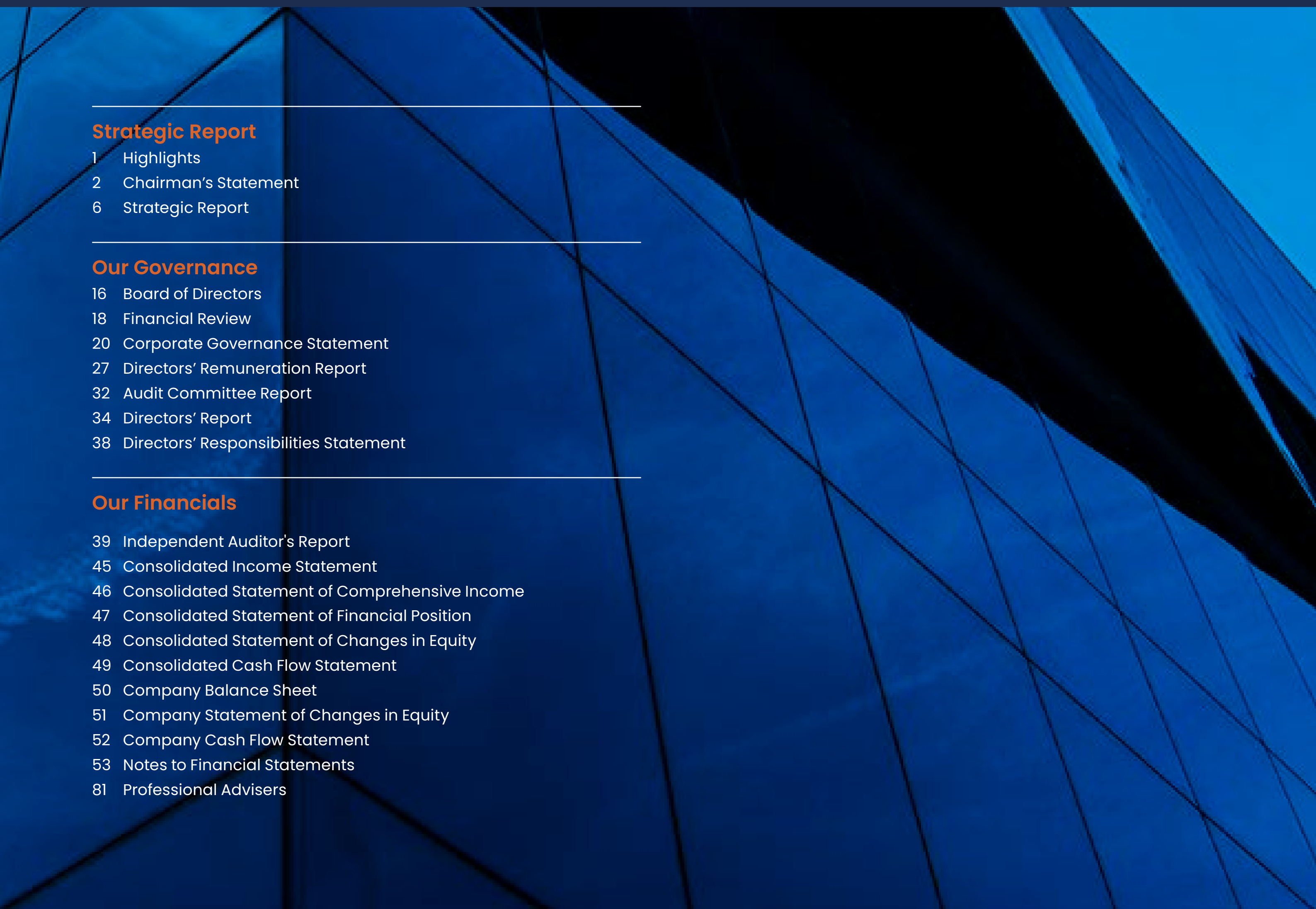
A world leader in Narrowband Radio Frequency (RF) Smart Mesh Networks

CyanConnode is a world leader in the design and development of narrowband RF smart mesh networks that enable machine to machine (M2M) communications. With a wealth of expertise and experience in smart technology, the Group provides customers with low-power, end-to-end networking solutions with high-performance applications that save energy, as well as providing enhanced service delivery and improved business efficiency.

CyanConnode's Omnimesh solution, based on IPv6 6LoWPAN, is an easy to deploy standards-based wireless Neighbourhood Area Network (NAN).

It is a highly secure IP-based M2M platform that uses narrowband radio mesh networks and cellular networks to create scalable, self-healing and self-configuring deployments that enable rapid innovation for the implementation of third-party applications.

Narrowband RF networks are low-power and suitable for applications requiring reliable communications. CyanConnode's solutions use sub-GHz frequencies that maximise the range of its low power networks and provide excellent penetration through obstructions, such as buildings, in smart metering deployments.



Strategic Report

Our Governance

Our Financials

Highlights

Financial highlights

	Year to Mar 2021 £m	15 months to Mar 2020 £m	% Improvement
Revenue	6.4	2.5	163% ↑
Gross profit	3.1	1.4	126% ↑
Operating costs	(5.8)	(7.6)	24% ↓
Operating loss	(2.7)	(6.2)	57% ↓
Depreciation and amortisation	(0.6)	(0.8)	19% ↓
EBITDA[1]	(2.1)	(5.5)	62% ↓
Adjusted EBITDA[2]	(1.9)	(4.9)	62% ↓
Cash	1.5	1.2	27% ↑

[1] Where "EBITDA" is Loss before Interest, Tax, Depreciation and Amortisation. This is calculated by adding Depreciation and Amortisation back to the Operating loss. Please see page 18 of the Financial Review for details.

[2] Where "Adjusted EBITDA" is calculated as EBITDA after the impact of stock impairment, foreign exchange gains/losses and share-based compensation have been removed. Please see page 18 or details.

Highest revenues on record during a challenging but busy year. No employees furloughed as Group enters phase of significant growth.

Operational highlights

- 481,000 modules shipped against current contracts during the period (FY20: 86,000)
- Order for 350,000 Omnimesh modules worth more than £6 million
- Previously delayed Indian contract resumed worth INR 1 billion (c. £10.5m)
- Commencement of rollout of projects in India and Thailand following easing of COVID-19 lockdowns
- Continued rollout of Swedish projects
- New Senior Management Team appointed in India

Post-Period Highlights

- New order won for 152,000 Omnimesh modules for Northern India utility
- Follow-on order received for MEA Smart Grid Project in Thailand
- New order won for 100,000 Omnimesh modules in Africa
- Key Memorandum of Understanding ("MOU") signed with Intellismart
- Heavily oversubscribed Placing completed raising £3.15 million before expenses of approximately £180k
- CyanConnode selected as EESL Technology Partner for Middle East and Africa
- Global Strategic Alliance signed with Smart Energy Water
- Further strengthening of CyanConnode India Senior Management Team
- CyanConnode awarded the London Stock Exchange Green Economy Mark

STRATEGIC REPORT

Chairman's Statement

"I'm delighted with the results for the financial year. Despite the challenges brought about by COVID-19, with all KPIs being positive, we have exceeded market expectation and delivered our highest revenues to date."

John Cronin
Executive Chairman

Operational Review

India

During FY21 there was a significant increase in activity in the Indian market as the Government of India moved forward with its plan to deploy 250 million smart meters. 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 smart meters is also expected to reduce Aggregate Technical & Commercial (AT&C) losses.

The National Smart Grid Mission, Minister of Power, Government of India has issued a Standard Bidding Document (SBD) for the selection and appointment of Advanced Metering Infrastructure Service Providers (AMISP) on a Design, Build, Finance, Own, Operate, Transfer (DBFOOT) basis. This approach is structured to manage large scale tenders to facilitate the mass deployment of smart meters.

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

MPWZ serves more than 3 million consumers and CyanConnode has already deployed two orders for this utility. The latest order will increase the total number of Omnimesh modules ordered by MPWZ from 120,000 to 470,000. It is also the first Indian order where the Omnimesh Head End Server (HES), will communicate with both RF Mesh and Cellular Omnimesh modules. 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 and initial deliveries commenced in Q3 2020.

The value of orders currently being deployed by CyanConnode in India is approximately INR 1.8 billion (c. £19m). The majority of the revenue for these orders is expected to be recognised over two years. The majority of invoices raised against the hardware deliveries are discounted with the Company's bank in India with Letters of Credit ("LoCs") providing security.

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), and Forth Corporation Public Company Limited (Forth). 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. 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 all modules and gateways ordered in December 2019 were delivered during the period.

CHAIRMAN'S STATEMENT

"I would like to thank all employees for their hard work and commitment during this period, and all shareholders for their continued support."

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. Under the contract, an advance payment of approximately USD 206,000, (circa £150,000) 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 AMC which provides a further recurring revenue stream over an initial five-year period.

We are delighted to confirm that the project is progressing well and that our Ominmesh technology is operating as expected under the frequency bands of 442 and 447MMHz, which have been allocated to the Thai energy utilities by The National Broadcasting and Telecommunications Commission (NBTC) of Thailand. As a result, a follow-on order for a further 31,000 Omnimesh modules was received in July 2021.

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 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 has continued throughout 2020 with more than 38,000 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, the deadline was again extended by a further six months due to the COVID-19 pandemic. The Data Communications Company (DCC) aims to connect around 53 million smart gas and electricity meters to its secure network and in February 2021, it announced that 10 million smart meters had been connected. 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 in densely populated areas that have a reliable cellular signal. CyanConnode believes that the installation of its RF technology will gain momentum during the latter stages of the rollout.

Senior Management Changes

In December 2020, the Company was pleased to announce the appointment of Ajoy Rajani as Managing Director & CEO of CyanConnode India, and Ratna Garapati as Chief Operating Officer of CyanConnode India.

Ajoy Rajani is a highly experienced and well-regarded business leader within the Indian Power Sector and 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, with Ajoy 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 has over 25 years' experience in product development and management, IT business operations management. Prior to joining CyanConnode, Ratna held the position of Vice President at Trilliant India, where his key achievements included the winning and implementation of multiple smart grid pilots 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/Cities for Fluentgrid India, where he 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 December 2020, the Company also announced the promotion of Allan Baig to Group Chief Operating Officer. 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 leads all operations and engineering disciplines across teams in the UK and India.

Post period end, Ajoy Rajani has moved to Vice Chair of CyanConnode India and Rajiv Kumar was appointed as Managing Director and Chief Executive Officer of CyanConnode India. Rajiv is a dynamic professional with twenty-five years’ experience in digital energy for transmission and distribution utilities. He joins CyanConnode from Intellismart (Intellismart Infrastructure Private Limited), where he managed one of the largest smart meter deployment programs in India in his role as Chief Operating Officer, a role he held since Intellismart was set up in 2019. He joined Intellismart from EESL (Energy Efficiency Services Limited). Prior to EESL, Rajiv’s experience included a decade working for Schneider Electric, both internationally and in India in strategic roles in their digital energy business, and a decade working for Powergrid Corporation of India.

COVID-19 Update

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 the consumer and 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.

At the time of writing this report, the United Kingdom is entering a period where all government restrictions relating to COVID-19 will be lifted. It is also a period of rapidly increasing cases of the virus in the community, however it is believed that due to the successful rollout of the vaccine across the UK, that there is less risk posed to the community despite the lifting of restrictions. CyanConnode continues to consider 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.

COVID-19 continues to pose significant worldwide uncertainty. CyanConnode has been working hard to tackle the risks and throughout the pandemic 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 and will continue to do so.

Outlook

Since the period end, CyanConnode has signed several key partnerships and won three orders, while also successfully completing a heavily oversubscribed share placing at a premium to the share price. The Company has also made additional changes to strengthen its team in India as described above.

In April 2021, CyanConnode announced that it had been selected as technology partner for projects in the Middle East and Africa by EESL Energy Solutions LLC, Dubai (EESL Dubai). EESL Dubai is a joint venture where EESL has partnered with Hansa Energy Solutions to deliver energy efficient projects in Africa and the Middle East.

In May 2021, the Company also signed a Memorandum of Understanding (MOU), with Intellismart (Intellismart Infrastructure Private Limited), a joint venture company formed by EESL, (Energy Efficiency Services Limited), and NIIF, (National Investment and Infrastructure Fund). Intellismart is a Meter Asset Provider which deploys smart meters by funding CAPEX, which it then recovers through an OPEX model. Intellismart is focusing on expediting the deployment of 250 million smart meters across India and can operate at scale by leveraging the expertise and capital of EESL and NIIF.

CHAIRMAN'S STATEMENT

Under the MOU, CyanConnode and Intellismart will work on existing EESL and Intellismart projects as well as new ones, in India and international markets. EESL is promoted by the Ministry of Power (the Government of India), as a Joint Venture of four public sector undertakings, whilst NIIF is a collaborative investment platform for international and Indian investors, which is anchored by the Government of India, and it manages over USD 4.5 billion of equity capital. This collaboration will leverage CyanConnode's market-leading RF mesh technology as well as EESL and Intellismart's experience of delivering large-scale projects.

In May 2021, CyanConnode signed a Global Strategic Alliance Agreement with SEW (Smart Energy Water). Headquartered in California, SEW is a global energy and water cloud platform provider serving over 300+ Utilities worldwide. SEW delivers and builds the best digital customer and workforce experiences in the utility industry. Under the terms of the Agreement, CyanConnode and SEW can promote and be authorised to sell the others' Products and Services, as well as refer potential customers to each other.

At the start of June 2021, the Company completed a heavily oversubscribed placing and subscription, raising £3.15 million before expenses, at a price of 9.5 pence per share. The issue price represented a premium of approximately 2.2% to the closing market price of 9.3 pence per share on the last business day prior to the announcement of the placing and subscription. The net proceeds of the Placing and the Subscription will be used to strengthen the Company's balance sheet, to increase working capital, to allow the Company to continue to take advantage of its significant growth opportunities and to execute the Company's growing order book and pipeline.

In July 2021, CyanConnode was delighted to announce a follow-on order from its partner the JST Group (JST) for the Metropolitan Electricity Authority (MEA) Smart Grid Project. The follow-on order is for 31,000 Omnimesh Modules and associated gateways and is in addition to the 33,000 Omnimesh Modules with associated gateways and perpetual licenses purchased in December 2019 and the 206,735 Omnimesh perpetual software licenses purchased in 2020. Deployment of this order will follow the successful 'Go-Live' phase of the MEA Smart Grid Project, which is expected in Q4 of 2021.

In August the Company also announced an order from Schneider Electric (Schneider Electric India Pvt Limited), for a smart metering deployment in Northern India. Under the purchase order, CyanConnode will supply 152,000 Omnimesh Modules together with Advanced Metering Infrastructure standards-based hardware, Services, Omnimesh Head-End Software, Perpetual License and an Annual Maintenance Contract. Under the contract CyanConnode will supply its new Omnimesh Cellular Modules as well as Omnimesh RF Modules. The supply of Omnimesh Modules is expected to commence in Q3 2021, with all modules being supplied within twelve months. Approximately 80% of revenue will be recognised during the first two years of the contract with the balance of approximately 20% being received during a further seven-year support and maintenance contract, which commences following the 'Go Live' phase.

We were delighted to announce a further order in August 2021 for a contract for a smart metering deployment in Africa whereby the Company will supply 100,000 Omnimesh Modules together with Advanced Metering Infrastructure, Services, Omnimesh Head-End Software, Perpetual License and an Annual Maintenance Contract. This opens a new territory for us, with a new customer.

I would once again like to thank shareholders who participated in the placing, and all shareholders for their ongoing support during what has been a challenging but rewarding year. We look forward to further order announcements during this financial year, and to delivering the backlog of orders won in previous periods.

John Cronin
Executive Chairman

5 August 2021

Strategic Report

The principal activity of the Group during the year was developing and supplying software and hardware for wireless machine-to-machine ("M2M") communication over narrowband RF smart mesh and cellular networks.

Statement of scope

This Strategic Report has been prepared to provide additional information for shareholders to assess the Group's strategies and the potential for those strategies to succeed.

The Strategic Report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report. Such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

The directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006. This Strategic Report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters that are significant to CyanConnode Holdings plc and its subsidiary undertakings when viewed as a complete enterprise.

Principal Activity

The principal activity of the Group during the year was developing and supplying software and hardware for wireless machine-to-machine ("M2M") communication over narrowband RF smart mesh and cellular networks. The principal activity of the Company is that of a holding company. Currently the Group has over one million devices installed and managed throughout the world.

Business Model

CyanConnode is a communications company whose business model is based on collaborative partnerships, where it engages with customers and markets by establishing eco-systems across multiple manufacturers and system integrators. Our Partners support the transfer of skills and experience to facilitate customer ownership of hardware and network infrastructure.

The Group places a high emphasis on engaging with utility executives, national and regional government officials, standards bodies and regulators. These activities help CyanConnode to understand and meet customer and market needs. A prime example of this strategy in action is the Group's Indian business, where CyanConnode supports the 'Make in India' and 'Skill India' initiatives of Prime Minister Modi, by using local partners for the manufacture and deployment of equipment, which in turn leads to the generation of in-country wealth.

The Group aims to build a world-class business by:

- Being Thought Leaders in the Internet of Things ("IoT")
- Offering customers solutions that result in optimised hybrid networks solutions that lever existing infrastructure
- Offering full end-to-end solutions including the integration of embedded modules into meters and integration into the customers billing and meter data management systems
- The manufacture and deployment of equipment using local partners to generate in-country wealth
- Building strong relationships with Partners, Utilities, Governments, Standards Bodies and Regulators
- Providing excellent customer service

The Group aims to generate revenues from:

- Direct sales of hardware and software
- Licence and royalty fees from licensed hardware and software
- Support and maintenance fees
- Related services including project management, integration, installation services and network optimisation

Our Technology Communications for IoT

Intelligent devices enable two-way communication between the endpoint device and the central systems of the provider. These are generally deployed as part of a broader platform, which includes the intelligent modules that are embedded in the devices, communications networks / protocols, and data management systems. These are essential components for an Internet of Things (IoT) implementation.

CyanConnode is a specialist provider of communication technologies for IoT networks. The company delivers secure, robust IoT communication networks for multiple enterprise applications, in a wide range of urban and rural environments. A private network is created between the endpoint devices (e.g. smart meters), with gateways aggregating data from a group of local devices. There are multiple approaches available for networking between smart devices and central data- gathering hubs. The appropriate technology will vary by country, topology, population density, mobile network capacity, backhaul network availability and other such factors.

Multi-technology Approach

While CyanConnode has historically been a strong proponent of RF mesh technology, and this remains its core product offering, but the company also now has, within its portfolio, full capabilities for cellular 2G to 5G, including narrowband IoT, and powerline communications. All of these communications technologies can be connected to the same head-end server (HES), which is also provided by CyanConnode. The HES is where the data is collected and then sent on to a data management system, which will be managed by a utility in the example of smart meters.

The network is a mesh where each endpoint connects to multiple other points, so there is no single point of failure in the network. If a particular node malfunctions, the mesh network offers redundancy, such that the other nodes can still continue to connect via other routes in the network. Specifically for RF mesh networks, a key attribute is that every device on the network does not need to be within range of the gateway, making this approach ideal for rural locations or where dwellings are widely geographically dispersed, as well as high density dwellings.

RF Mesh Networks Explained

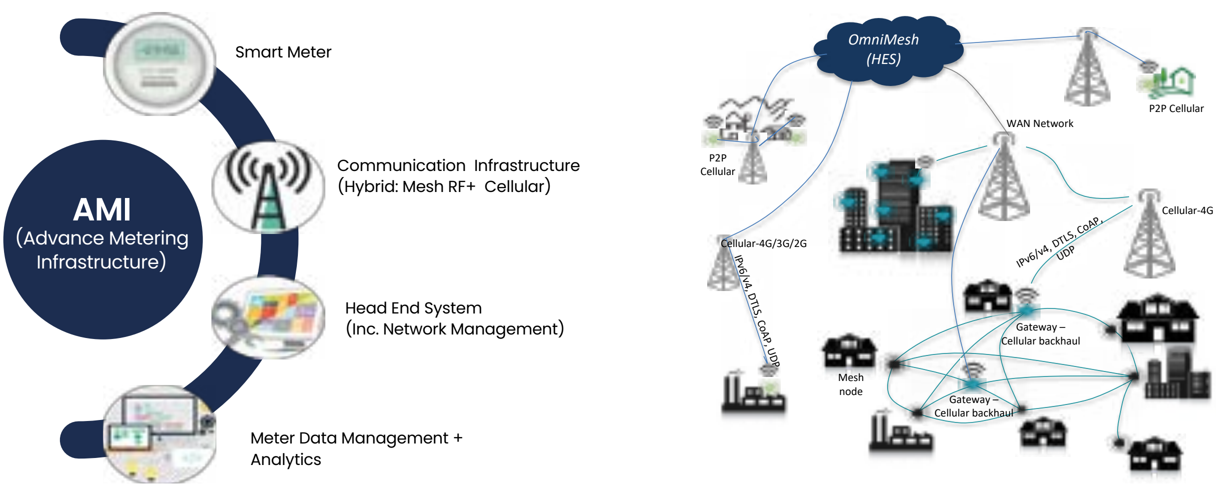
Narrowband RF mesh technology uses lower bandwidth radio frequencies (sub-GHz). These frequencies give better range and coverage than higher frequencies. The Omnimesh RF platform is an open standards-based (IPv6, 6LoWPAN) network solution that provides long-range and reliable communication between devices – for example, between smart meters. RF mesh is a proven, cost-effective technology for delivering excellent service levels.

The diagram below (Figure 1) shows an RF mesh network for a smart meter network with the multiple paths from each node or endpoint meter to the gateway, which is connected via a long-haul network to the central platform. As we noted earlier, the central system in a country such as India may increasingly be a shared platform operated by a JV entity.

The current architecture typically allows around 250 meters to be connected to one gateway (although ratios up to 1000:1 have been deployed) – this ratio is being improved consistently, and the company expects 400-1,000 meters to be supported by one gateway in future versions of the platform over the next 18 months.

Figure 1: CyanConnode RF Mesh Configuration

Source: Company data



Cellular

CyanConnode is a strong advocate of RF mesh technology. However, no single technology meets the requirements of every customer in every deployment environment. For example, cellular technologies may provide good service levels in areas where there are too few devices to justify the deployment of a mesh. To cover a wider market, in March 2020, CyanConnode announced its new Omnimesh cellular products, which use mobile network technologies as an alternative to RF to connect meters, where required. 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.

The Omnimesh cellular products have dual SIM capabilities, and the best available cellular network is automatically selected for point-to-point connectivity. To allow a mix of RF and cellular connectivity to be used across a single region, the updated Omnimesh HES can simultaneously manage both RF mesh and cellular connected smart meters. This technology flexibility allows customers to maximise service levels while minimising costs.

In-meter Gateways

CyanConnode's development of in-meter gateways has been well received by utility customers. These allow the aggregation gateways to be installed in the same units as endpoint smart meters in individual dwellings, which represent more secure locations than externally, where additional costs of secure metal boxes are incurred.

Network Management System

The network management component is focused on managing the overall mesh network environment (including device configurations, device status, etc). The platform scales to millions of nodes. The system offers a unified interface to view multiple network types across RF and cellular.

Advance Metering Infrastructure (AMI)

AMI is an integrated system of smart meters, communications networks, and data management systems that enables two-way communication between utilities and customers. AMI enables two-way communication so that not only can meters be read automatically, but instructions can be sent to the meter from a central point, which might be to disconnect (for example, if a bill has not been paid, or to update time-based pricing data to manage consumptions). The information collected from smart meters can be processed in real time, and signals can be sent to manage demand.

These systems are widely acknowledged to offer substantial potential benefits, many of which are central to the highly positive returns on investment associated with smart meter implementations.

The analytical processes to understand load patterns and optimise use of these platforms can be complex and data-intensive – in fact, there are ongoing programmes at large utilities around the world to take greater advantage of the capabilities of AMI platforms that have been implemented.

CyanConnode offers a comprehensive platform that covers the AMI from the meter endpoint through to the Meter Data Management System (MDMS), which stores the huge quantities of data generated by the smart meter network and will typically be provided by major Enterprise Resource Planning (ERP) vendors, such as Oracle and SAP.

Market Opportunity

Global environmental concerns are more than ever to the forefront of political discourse and media attention. Governments are seeking ways of responding to what many now view as an imperative for widespread action. Utilities have a significant part to play by reducing inefficiencies in both generation and distribution. The World Bank has demonstrated that it is three times cheaper for utilities to save lost electricity by improving Distribution network efficiency, rather than investing in further generating capacity. Smart metering is an important technology as it helps both utilities and consumers, of all types, minimise resource wastage.

CyanConnode's Narrowband RF Smart Mesh Networks can be used to control and monitor energy meters over hybrid networks so as to assist Governments and utilities in meeting their greenhouse gas emissions target. In the UK CyanConnode's technology forms part of the UK Smart Metering Implementation Programme (UK SMIP), which will contribute towards the UK meeting its target of cutting greenhouse gas emissions by at least 40% below 1990 levels.

Market Forecasts

The smart meter market can be broken down into three subcategories: smart gas meters, smart water meters and smart electricity meters. Of the three, smart electricity meters are expected to deliver the highest growth rates, as the global industry seeks to modernise infrastructure and systems to drive much-needed improvements to financial performance, efficiency and resilience of energy grids.

The global market is characterised by quite marked differentials by region in current smart meter penetration and, hence, in expected growth rates in smart meter shipments over the next five to ten years.

STRATEGIC REPORT

One important consideration is the migration towards smart meter-as-a-service/rental (OPEX) models and away from CAPEX models which require payment upfront, as this may significantly increase smart meter deployment rates going forwards.

Forecasts, in general, suggest significant uplifts in the volume of smart meter shipments globally, but, consistent with our observations on regional trends, the largest geographical market will be Asia-Pacific for several years to come.

IoT Analytics: in a report published in 2019, IoT Analytics estimated that over 14% of all meters globally (across electricity, gas and water) were smart meters, i.e. intelligent and network-enabled. It expects a 7% CAGR 2018-24 in terms of meter shipments.

MarketsandMarkets anticipates a similar growth rate, with Asia-Pacific expected to lead the way, driven particularly by China.

"Smart metering is an important technology as it helps both utilities and consumers, of all types, minimise resource wastage. In July 2021, CyanConnode received the London Stock Exchange's Green Economy Mark, recognising its contribution to the global green economy. The Mark supports the Company in communicating its green credentials to investors and other stakeholders, highlighting its efforts to support the transition to a low or net zero economy."

s172 Statement

Decisions of the CyanConnode Board take into account not just short-term, but also medium and long-term consequences, which are carefully considered and balanced, having regard to the sometimes conflicting needs and priorities of the business, its customers, partners, employees and other stakeholders. During the year, a lot of consideration was given to determine the most appropriate funding solution for the Group to mitigate against any potential delays to contracts for example as a result of COVID-19. As set out later in this statement, discussions were held with shareholders, which resulted in the Company completing a heavily oversubscribed placing at a premium to the share price in June 2021.

The Strategic report sets out the Group's policy towards employees in greater detail on page 14 ❯. CyanConnode's value is created through innovation, which is a product of motivated employees. They are of central importance to the Group's success, and the directors believe that the CyanConnode culture and core values create an environment for engaged and successful employees. The HR department supports managers to look after employee needs. During the COVID-19 pandemic, the health and wellbeing of employees has been of paramount importance to the Group. At the start of the pandemic CyanConnode quickly moved to a working from home policy, enabling all employees to work remotely, and ensuring no employees were required to be furloughed. Employees who performed work which could only be done in the office (for example hardware engineers) were set up to do this work in the safest environment possible. The Group invested in temperature guns, hand sanitisers, gloves and other safety equipment to minimise risks to employees, and ensured social distancing measures were put in place in its offices. In India, CyanConnode has made efforts to support the vaccination of all employees.

CyanConnode's success depends on strategic relationships with key investors, partners, customers and suppliers, so the Board maintains ongoing oversight of these. Board Reports update the Board on the status of key relationships, which have Board-level engagement from an operational perspective. Product development and performance is constantly monitored, with the Group COO periodically attending Board meetings to provide updates and feedback to the Board. Separate Board sessions including the Product Manager and Group COO are also held periodically to present the Group's Roadmap and ideas for new products or enhanced features and functionalities of existing products. Customer feedback is continuously captured through regular account meetings, which are always attended by management-level, and often director-level, representatives.

The Executive Chairman and the Chief Financial Officer engage with both institutional and private investors to provide updates on business and obtain feedback, which is important to the Board. Regular, more informal communication from investors also provides feedback to the Board. In 2020 no AGM was held due to COVID-19 recommendations, however an investor webinar was held on a platform which allowed shareholders to attend and ask questions and pass comments before and during the webinar. Attendees could also provide feedback following the webinar. In previous years, a Q&A session has always followed the formal proceedings at the Company's AGM, where shareholders could ask questions and provide feedback.

Environment, Social and Governance (ESG)

CyanConnode seeks to minimise as far as possible its impact on the environment and received ISO14001 accreditation during 2019. It works closely with local businesses to put in place joint environmentally friendly policies. The office of the Cambridge Headquarters has a Climate Committee who meet periodically to agree ways that the building and its tenants can implement more environmentally friendly policies. The Group is mindful of its corporate social responsibilities and the need to build and maintain strong relationships across a range of stakeholder groups is a key principle in what we do. Engaging with our stakeholders allows us to create a positive legacy and create strong stakeholder relationships. Our project teams engage with stakeholders throughout the development life cycle to help enrich communities. More on our Environmental Policy can be found in the Employee Matters section on page 14 of this report.

COVID-19 has meant that most companies around the globe have had to adapt business practices and ways of working. At times the challenges presented by the pandemic have led to conflict of interest between stakeholders as the stage of the pandemic varied according to jurisdiction. For example, if partners in territories with no travel restrictions wanted partners from territories with travel restrictions to travel for face-to-face project meetings this could not happen. CyanConnode has worked closely with employees, partners, suppliers, and customers to ensure that business has continued in a manner as close to normal as possible during COVID-19 lockdown periods, while always considering the health and wellbeing of its employees. Shareholder meetings, investor presentations and webinars have been held online to ensure continued engagement with shareholders, and the executive directors have regular calls with shareholders as and when requested.

Further details on practical steps the Group has taken can be found in the Strategic Report, the Directors' Report and Corporate Governance Statement. The Board's adoption and application of the QCA Corporate Governance Code further supports these principles, with more detail of the steps it has taken set out in the QCA website disclosures against the ten principles of the Code, which can be found on the CyanConnode website https://cyanconnode.com/investors/governance/

CyanConnode works with the global leaders in its sector. Accordingly, the highest of standards of business are demanded. CyanConnode works with these global leaders, at the forefront of business, industry, and technological innovation, to ensure these standards are constantly challenged and improved.

The competing needs of the various stakeholders of the company are monitored and reviewed at management and at Board level. Where conflicting needs arise, advice is sought from the non-executive directors and, as necessary, from CyanConnode advisors. Through the careful balancing of stakeholder needs, CyanConnode seeks to promote success for the long-term benefit of shareholders. During the period, the Board sought and considered many different funding options to mitigate against any potential delays to business as a result of the pandemic. It consulted with major shareholders to get their views regarding options available to the Company. In June 2021, the Company completed a successful fundraising at a premium to the share price at the time, to ensure that dilution of existing shareholders was kept to a minimum.

Key performance indicators

An analysis of the financial performance for the year using Key Performance Indicators is included within the Financial Review, see page 19

STRATEGIC REPORT

Operational Review
Principal Risks and Uncertainties

The Group is exposed to a number of risks and uncertainties. Those that are considered to be key to the Group are set out in the following table. Many of these risks have not changed from prior years.

Area of Risk	Description	Mitigating Activity
1. Financial	• The Group is currently loss-making therefore absorbing cash. However, the Directors believe that it has sufficient cash reserves, debtors and future revenues to execute its current business plan and see it through to profitability. There is however a risk that there could be delays to customer deliveries or receipts from customers. This profile has improved since the previous period as a result of Letters of Credit being put in place to ensure prompt receipt against debtors, however these risks still remain. • Should the Group wish to explore new territories, products or business opportunities or models there would be a requirement for additional investment. • Should the Group be required to use additional suppliers within the supply chain, for example for supply of components, there may be additional working capital requirements.	• The Directors regularly monitor the financing needs of the Group and react quickly should projects or customer receipts be delayed. The Group actively communicates with its investors and potential investors, including through its nominated advisor and brokers, to update on cash position. In addition to equity funding, the Directors are regularly in dialogue with a number of banks and other organisations to investigate working capital facilities. • New business models are also being explored and some of these such as licensing or the OPEX model could be significant sources of funding should they be won. • Dialogues with banks and other financial institutions have been positive and the Directors feel they would be in a position to secure working capital funding should any projects be delayed as a result of COVID-19.
2. Pandemics	• In 2020 the world was impacted by the COVID-19 pandemic which has caused significant disruption across many industries. The Group has not been significantly impacted and has set processes in place to ensure continuation of operations while always maintaining a safe work environment for its employees.	• Revised working practices were quickly implemented including remote working and online meetings across the business and with customers, partners and shareholders. • Mitigation against financial and capital risk is discussed in the financial section above.
3. Growth Strategy	• The market for our products and services, and smart grid and smart lighting technology generally, is still developing. If the market develops less extensively or more slowly than we expect, our business and revenue growth could be slower than anticipated.	• CyanConnode continues to adopt a diversification strategy. This helps to identify targets in additional emerging markets, and new business models allowing for a much wider customer base and less pressure on one specific market/country/business model.
4. Competitive Environment	• The Group's products compete for technological superiority over those of competitors. There is a risk that new product developments by competitors diminish the attractiveness of the Group's products, reducing sales.	• Research and development costs have reduced significantly however the Group will continue to ensure that its products provide the best possible match to potential and existing customers' requirements. The Group works closely with customers to establish their requirements and evaluates competitor products whilst also researching the market to ensure a market leading product suite.

Area of Risk	Description	Mitigating Activity
5. Macro-economic conditions and political risk	• Sales cycles to our customers and end utilities in emerging markets can be lengthy and unpredictable and require significant employee time and financial resources with no assurances that a prospective customer will select our products and services. • CyanConnode sales and profits may be impacted by spending slowdowns and/or increasing inflationary pressures in key territories. • The territories in which we operate are subject to political risk whereby decisions by national or state governments may impact our ability to effectively trade in these markets.	• The Group maintains close relationships with its partners and potential end customers to respond to the changing demands of the market and maximise contract wins. The Group has employed world class experts in their fields in many areas of the business to respond to market requirements and anticipate the changing demands of the market. • Market data is regularly analysed to provide valuable information on demand changes, allowing the Company to react according to these changes. • We mitigate the political risk through the effective use of local partners in each territory who act as agents or resellers of CyanConnode's technology. • Other than Connode in Sweden, which is part of the European Union, the Group does not trade substantially with any other EU country and therefore the outcome of the exit from the EU was not significant.
6. Laws & Regulations	• The Group's customers operate in a highly regulated business environment and changes in regulation could impose costs on them, which they could pass on to the Group. • Some of the markets we are targeting and have entered are highly complex in terms of regulations to be followed as a UK exporter.	• The design and engineering team have a proven track record of designing products that meet the requirements and regulations of the markets we operate in. • The Group has implemented an Anti- Bribery Policy in line with the Bribery Act 2010, which sets out strict guidelines regarding the offering or receiving of gifts or hospitality to ensure compliance with the Act. Training in Anti-Bribery is provided regularly to employees, contractors and partners. All partners are required to sign acceptance of the CyanConnode Anti-Bribery policy when entering into partnership agreements with the Company. • The Group takes legal advice and advice from the Department of International Trade regarding regulations when entering new territories.

STRATEGIC REPORT

Area of Risk	Description	Mitigating Activity
7. Business Continuity	• CyanConnode depends on a limited number of contract equipment manufacturers ("CEMs") for certain critical aspects of the manufacture of its products. • In 2021, CyanConnode relied on three major customers for the majority of its revenue. • In 2020-21 the world has been affected by COVID-19 which has resulted in lockdowns in most countries around the world. This has resulted in delays to deployments and signing of contracts. It has also meant each of the Group's subsidiaries have needed to change their way of working for example working from home.	• Strong relationships are maintained with several CEMs in India and China. This helps ensure good quality and de-risks the effect of geopolitical factors in a particular territory. It also ensures that any issues are communicated and can be mitigated where possible in good time and can provide the opportunity to switch supplier at short notice. • CyanConnode maintains good relationships with all its customers and continues to maintain its strong support for them. During the year it has integrated with additional meter manufacturers whilst also diversifying its customer base with new licensing agreements. • CyanConnode has worked closely with employees, partners, suppliers, and customers to ensure that business has continued in a manner as close to normal as possible during COVID-19 lockdown periods.
8. People	• As with many technology businesses, the Group is dependent on a relatively small number of highly skilled staff. The ability of the Group to retain and motivate its key staff is a key business risk. • Being a small company there is the added challenge of requiring staff to be skilled across a number of areas, with flexibility and agility to deliver results for customers.	• CyanConnode provides well-structured and competitive reward and benefit packages that ensure our ability to attract and retain employees. • Training and development opportunities are offered to support staff in their careers.
9. Cyber Risk	• Disruption to or penetration of our information technology platforms could have a material adverse impact on the Group.	• Technology resources are continuously monitored by appropriately trained staff, which provide and maintain process controls aimed at securing our networks and data. In recent months, we have commissioned external agencies to carry out penetration testing of our network in order to ensure we meet industry best practice. We intend to repeat penetration testing regularly during the year.
10. Currency Exchange	• We are exposed to both translation and transaction risk. In addition, transactions are carried out in currencies other than UK Sterling. • The majority of our revenues are currently denominated in Indian Rupees, whilst the majority of our costs are denominated in UK Sterling.	• Whilst most of the Group's customers are invoiced in Indian Rupees, we also contract the manufacture of our hardware in Indian Rupees and this partially offsets the risk. • Connode Sweden mainly operates in SEK with customers paying and suppliers being paid in the same currency. The only exception is the UK smart metering project which is paid in UK Sterling.

Employee Matters

Headcount

The average number of employees reduced during the year ending 31 March 2021 to 47 (2020: 50). The management, development and delivery of the Company's innovative technologies is made possible through the contribution of highly skilled staff based in the UK and India. Staffing requirements continue to be monitored by region to ensure suppliers and customers are fully supported, while at the same time keeping costs minimised.

Diversity

CyanConnode is a multicultural, global organisation and we are committed to providing equal opportunities for training, career development and promotion to all employees, regardless of any physical disability, gender, religion, race or nationality. Women comprised 33% of the management team that reports to the Board, or 2 out of 6 employees (2020: 29%, or 2 out of 7 employees) and at Board level 20% (2020: 20%). At year end women comprised 20% of total employees across the Group (2020: 21%) or 11 out of a total of 54 employees (2020: 10 out of 48. Despite the engineering industry being a male dominated industry, the number of women engineers has increased during the period. The Group also has and encourages a diverse workforce in terms of nationality.

Employment Policy

Applications for vacancies are considered based on capabilities and reflecting the requirements of the role, and resources for development and training are made available to all employees. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged.

Environmental Policy

CyanConnode recognises that it has a moral duty of care as well as a legal obligation to the environment and is committed to minimising the impact of its activities on the environment. Taking a responsible approach to the environment is good business practice as well as essential in helping the world to tackle climate change issues. Our technology is also at the heart of new strategies that will deal with other environmental and resource challenges such as the management of smart grids and water resources. During 2019 CyanConnode received ISO14001 accreditation. It also works closely with its landlord and other companies located in the same building to ensure environmental awareness and implement eco-friendly initiatives and policies within the building.

The key points of CyanConnode's environmental strategy are to:

- Minimise waste by evaluating operations and ensuring they are as efficient as possible.
- Use products efficiently and actively promote recycling both internally and amongst its customers and suppliers.
- Source and promote a product range to minimise the environmental impact of any production and distribution.
- Meet or exceed all the environmental legislation that relates to the Group.
- Encourage employees to use alternative methods of transport to work other than motor vehicles.
- In territories other than the UK, building out local workforces to reduce carbon footprint with less flying.
- Introduce and encourage more online meetings to reduce travel requirements across the globe.

CyanConnode encourages its members of staff to commit to the environment and works with suppliers who are certified ISO14001 or work towards the protection of the environment.

The ultimate responsibility for CyanConnode's environmental policy lies with its Board of Directors. The policy is communicated to all employees within the Group via email. It is the responsibility of each employee to follow the rules and procedures the Group has set for its environmental work. The purchasing department is responsible for ensuring all environmental considerations and policies are followed in all purchasing and procurement for the Group.

Health and Safety Management

The Group operates predominantly in an industry and environments which are considered relatively low risk from a health and safety perspective. However, the health and safety and welfare of CyanConnode's employees, contractors and visitors are a priority in Group workplaces worldwide. There are health and safety risks attached to some of the work undertaken by employees and to travel to territories in which CyanConnode is currently engaging in business. Electrical safety training is given to all new employees and contractors upon joining the Group. Travel advice is always checked on the FCO website prior to employees travelling to any region, and if a region is considered unsafe employees will not be permitted to travel there. Employees are advised to be vigilant while travelling and keep in regular contact with the CyanConnode Head Office in Cambridge.

During the COVID-19 pandemic the Group has been focussed on ensuring the wellbeing of its employees, following government regulations in all jurisdictions in which it operates. It has implemented a social distancing policy allowing employees to work in its office in Cambridge and provided information and guidance to all employees to ensure their safety and the safety of all its stakeholders.

The Board is ultimately responsible for health and safety matters. CyanConnode has a Health and Safety Manager who manages the health and safety of the Group on a day-to-day basis taking advice from an external firm of health and safety consultants. The Board discusses health and safety at all monthly Board meetings. All accidents and incidents are reported to them. There were no accidents or incidents reported during the period.

Ethical Standards

CyanConnode expects the highest of ethical standards of all its employees and its policies and procedures support its stated aim of acting with integrity in all aspects of its operations. Moreover, the same standards are expected of its suppliers including its contract equipment manufacturers in India and China and we seek to ensure compliance by having partners and suppliers sign up to our policies of business.

Approved by the Board of Directors and signed on behalf of the Board.

John Cronin
Executive Chairman

5 August 2021

GOVERNANCE

Board of Directors

"The CyanConnode Board is made up of seasoned entrepreneurs and professionals with years of experience in growing and running successful companies. Their combined investment of almost £6m pounds in the Company confirms their commitment to ensure the success of the Company."

John Cronin

Executive Chairman

John joined the Board in March 2012 initially as a Non-Executive Director and is now Executive Chairman of CyanConnode. He is a highly successful Chairman, CEO and MD in International markets (Europe, Americas, SE. Asia) in the Technology and Telecommunications sector including, Smart Metering, IOT, Software companies, Infrastructure, Hardware Utilities and Managed Services.

John is a seasoned and successful professional with experience in raising equity, debt facility and vendor finance funding as well as setting up operations in international markets. He has created significant value for shareholders with four company exits in Picochip, Azure Solutions, i2 and Netsource Europe. He has been instrumental in mergers and acquisitions worldwide, including Cyan's acquisition of Connode.

John's contribution to high-tech industries includes being Chairman, CEO, NED, or adviser to Antenova, GCI Com, Aria networks, Picochip, Arqiva, i2, Cambridge Networks, Kast, Azure, Next2Friends, Bailey Fisher, Netsource, Mercury (C&W), BT and providing independent consultancy to private equity and VC firms.

Heather Peacock

Chief Financial Officer & Company Secretary

Heather joined the Company in November 2008 as Financial Controller. Having a background and qualification in finance and more than 20 years' global financial experience at a senior level, Heather has worked across diverse industry verticals in both the UK and South Africa. Her key areas of expertise are treasury, mergers and acquisitions, financial and cash planning and analysis, legal and compliance and subsidiaries governance and management. She is also an Associate Member of the Governance Institute, and is the Group's Head of HR.

In 2013 Heather was appointed as Company Secretary for CyanConnode and was responsible for the setup of the Company's subsidiary and operations in India, and the acquisition and integration of Connode in 2016. She was appointed as Chief Finance Officer and board director in July 2018, to ensure robust financial systems were in place to support the Company's growth.

David Johns-Powell

Non-Executive Director

David, who joined the board in July 2018, has over 30 years' experience in Small to Medium Sized Enterprises over a diverse range of industries including, Ceramics, Farming, Insurance, Leisure and Property.

His career started in Ceramics, where he built a manufacturing facility from scratch and by utilizing cutting edge automation, the business became one of the UK's largest manufacturers of ceramic coffee mugs. As well as local markets, product was exported worldwide, and customers included Cadburys, Disney, Safeway and Woolworths.

As a Professional Investor, David is actively involved in several investments which include a 360 key hotel development, a Beach Club, a Wood Modification Plant and a Peak Power Plant.

As well as running his own businesses, David is also a member of the Society of Lloyd's, where he is one of the few remaining members that underwrite insurance on an unlimited liability basis.

Christopher Jones

Non-Executive Director

Chris joined CyanConnode in March 2019. A specialist in licensing models, he has IoT experience and a strong commercial focus. His distinguished career has included holding a wide range of positions at Arm, most recently as Vice President of Commercial Operations for its IoT Services, overseeing product Licensing and SaaS business models.

In 2012, he helped to create Trustonic (a joint venture between three mobile, device and IoT security leaders - Arm, Gemalto and G&D). As Chief Operating Officer at Trustonic, Chris was responsible for overseeing the formation of the company and the implementation of its strategic direction, managing core functions of legal, HR, finance, IT and facilities. From 2004 until 2012, he was Vice President of Licensing at Arm. As such, he was responsible for Arm's CPU/Soc product licensing and revenue management.

Chris holds the role of Chairman of the Remuneration Committee and is a member of the Audit Committee.

Peter Tyler

Non-Executive Director

Peter joined the Board in March 2019 and is a fellow of the Chartered Institute of Certified Accountants. He has held a number of roles in finance, mainly in the pharmaceutical sector, and is well versed in growing businesses and creating shareholder value. Peter has also been involved in a number of charities where his role has been building them up, putting in place structures, processes and teams and funding to satisfy the demands of the programmes.

Peter holds the role of Chairman of the Audit Committee and is a member of the Remuneration Committee.

GOVERNANCE

Financial Review

Key Financials

Financial Summary

The year to March 2021 presented challenges to the Group as a result of the outbreak of the COVID-19 pandemic which has had an impact globally. Despite these difficulties, the Group achieved record revenues for the year as set out below. It has also adapted its working practices and is managing its cash and costs accordingly, and expects to continue to meet its obligations as and when they fall due.

A summary of the key financial results for the year and details relating to its financing position at the year end are set out in the table below and discussed in this section.

	12 months Mar 2021 £000	15 months Mar 2020 £000	12 months Dec 2018 £000	12 months Dec 2017 £000	12 months Dec 2016 £000
Revenue	6,437	2,451	4,465	1,171	1,823
R&D expenditure (including staff costs)	1,791	2,381	2,466	4,148	2,913
Operating loss	(2,685)	(6,230)	(6,320)	(11,153)	(7,939)
Depreciation and amortisation	627	773	472	489	256
EBITDA	(2,058)	(5,457)	(5,848)	(10,664)	(7,683)
Stock impairment	108	4	578	55	96
Share based compensation	80	267	445	689	2
Acquisition - related costs	-	-	-	-	1,564
Foreign exchange (gain)/losses	(15)	267	16	52	48
Adjusted EBITDA[1]	(1,885)	(4,919)	(4,809)	(9,868)	(5,973)
Cash and cash equivalents	1,489	1,172	4,564	5,394	3,893
Average monthly operating cash outflow	(82)	(245)	(487)	(808)	(588)

	Mar 2021 FTE[2]	Mar 2020 FTE	Dec 2018 FTE	Dec 2017 FTE	Dec 2016 FTE
Average	47	50	52	44	31
Year end	54	48	61	52	31

1 Where Adjusted EBITDA is EBITDA after stock impairment, share-based compensation, acquisition-related costs and foreign exchange losses
2 Where FTE is the equivalent number of full-time equivalents

Included within the table above are two alternative performance measures ("APMs" – see note 2): EBITDA and adjusted EBITDA. These are additional measures which are not required under International Accounting Standards. These measures are consistent with those used internally and are considered important to understanding the financial performance and the financial health of the Group.

EBITDA (Loss before Interest, Tax, Depreciation and Amortisation) is a measure of cash generated by operations before changes in working capital. Adjusted EBITDA is a measure of cash generated by operations before changes in working capital and after other items have been adjusted for as set out in the table above. It is used to achieve consistency and comparability between reporting periods.

Notably from the table above:

- Revenue for the year to March 2021 was £4 million higher than the 15 months to 31 March 2020
- Operating loss for the year to March 2021 was £3.5 million lower than for the previous 15-month period
- Cash at the end of March 2021 was £0.3 million higher than the end of March 2020
- Share based compensation charges reflect the fair value of share options granted to employees over the vesting period of these options. Please see note 33 for more information

FINANCIAL REVIEW

Financial items of note during the year other than those set out above were:

- Cash received from customers during the year was £5.3 million
- Trade and other receivables increased by £2.5 million during the year to £5.4 million
- R&D tax credit at a similar level to 2020 (£0.6 million) for the twelve-month period compared to the previous fifteen-month period

During the year an advance against the R&D tax credit was received. This will be repaid out of the R&D tax credit funds when received from HMRC. In addition, a short term loan was received from two directors, letters of credit, invoice discounting and advance payments have been negotiated on recently won contracts to help with working capital requirements.

Key Performance Indicators (KPIs)

The financial key performance indicators for the Group are as set out in the key financial results table above. FY2021 revenues were 163% up on the fifteen-month period 2020 comparatives as a result of major contracts in India which started rolling out during the year. Operating costs for the year reduced by 24% against the fifteen months for 2020, EBITDA by 62%, and adjusted EBITDA by 62% due to lower share-based compensation charges and stock provisions. The Group's average headcount reduced by 3.

The Group's long-term strategy is to deliver shareholder returns by generating revenue and moving into profitability. It seeks to do this by focusing its resources on emerging but fast-growing markets where it believes it can reach a market leading position with its technology. Management uses KPIs to track business performance, to understand general trends and to consider whether the Group is meeting its strategic objectives. As it grows, it intends to review these KPIs and adapt them as appropriate, in response to how the business and strategy evolves.

The Group's key focus for the financial year ending March 2021 was to streamline its processes from order to delivery and working to close further orders. A further focus was ensuring collection of cash from customers as Group revenues continued to grow. A number of avenues were pursued to secure working capital facilities to help ease cash flows and mitigate against any unforeseen delays in deliveries or customer payments.

Going concern

To assess the ability of CyanConnode Holdings plc ("Group") to continue as a going concern, the directors have prepared a business plan and cash flow forecast for the period to 31 March 2023 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 Letters of Credit which have been secured from customers against contracts recently won.

At 31 March 2021 the Group had cash reserves of £1.5 million (2020: £1.2m) and based on detailed cash flows provided to the Board within the FY2022/23 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 cost reduction and working capital facilities as ways to conserve cash within the business. The Company has offers for 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, the Group received unsecured short-term loans of £400,000 from two Directors, an advance of £385,000 secured against its R&D tax credit in March 2021 and an invoice discounting facility secured against Letters of Credit for deliveries of Omnimesh modules in India. The advance against the R&D tax credit will be repaid out of the HMRC receipt which is expected to be received by October 2021.

Notwithstanding the material uncertainties described above which may cast significant doubt on the ability of the Group to continue as a going concern, 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.

Financial Risk Management Objectives and Policies

Details of the Group's financial risk management objectives and policies are disclosed in note 34 to the financial statements.

Dividends

The directors do not recommend the payment of a dividend (2020: £nil). The Group has no plans to adopt a dividend policy in the immediate future and all funds generated by the Group will be invested in the further development of the business, as is normal for its industry sector and stage of its development.

Heather Peacock
Chief Financial Officer

5 August 2021

GOVERNANCE

Corporate Governance Statement

Statement of Compliance with the QCA Corporate Governance Code

As an AIM quoted company, we recognise the importance of applying sound governance principles in the successful running of the Group. Given the size and nature of the Group and composition of the Board, we have formally adopted the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies (the QCA Code) and will report annually on our compliance with the QCA Code in our Annual Report.

The sections below set out how we currently comply with the ten principles of the QCA Code.

1. Establish a strategy and business model which promote long-term value for shareholders

The strategy and business operations of the Group are set out in the 2021 Strategic Report on pages 6 to 15.

The Executive Directors are responsible for the leadership and day-to-day management of the Group. This includes formulating and recommending the Group's long-term strategy for Board approval and then executing the approved strategy.

2. Seek to understand and meet shareholders needs and expectations

The Group seeks regular dialogue with both existing and potential new shareholders, ensuring our strategy, business model and performance are clearly understood as well as to understand the needs and expectations of shareholders. The Executive Chairman and Chief Financial Officer meet regularly with investors and analysts via investor roadshows, investor presentations and events and hosting tours of our development sites in order to provide them with updates on the Group's business and obtain feedback regarding the market's expectations of the Group.

The Board invites communication from its private investors and usually encourages participation by them at the Annual General Meeting (AGM). Under normal circumstances, all Board members present at the AGM are available to answer questions from shareholders. Notice of the AGM is in excess of 21 clear days and the business of the meeting is conducted with separate resolutions, voted on initially by a show of hands and with the result of the voting being clearly indicated. The results of the AGM are announced through a regulatory information service. In September 2020, the AGM was a closed-door AGM as recommended by COVID-19 guidelines, however the Company held a virtual investor presentation during the weeks prior to the AGM, encouraging participation by shareholders.

The normal channel of communication with shareholders is via our Chief Financial Officer and Executive Chairman. Our Non-Executive Director, Chris Jones is available to shareholders where concerns have not been resolved through the normal channels of communication with the Board and for when such contact would be inappropriate.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

Our technology has been designed to address social problems, particularly in emerging territories such as India where there are significant losses to the government in the electricity sector. The technology is low-cost, low-power and seeks to prevent theft from electricity or tampering with electricity meters. These features have allowed utilities to safely read meters and carry on business remotely during the COVID-19 pandemic.

The Group is mindful of its corporate social responsibilities and the need to build and maintain strong relationships across a range of stakeholder groups is a key principle in what we do. Engaging with our stakeholders allows us to create a positive legacy and create strong stakeholder relationships. Our project teams engage with stakeholders throughout the development life cycle to help enrich communities.

Our employees are at the heart of our business and we consistently strive to ensure they have the opportunity to develop in a job they enjoy. We embrace diversity and employ people from a range of cultures and backgrounds across the group. Further information on our diversity policy can be found on page 14 of our Strategic Report in the 2021 Annual Report. During the COVID-19 pandemic the Group adapted its working practices to ensure the health and safety of all employees. Regular discussions are held with employees regarding their wellbeing, and regarding best working practices while the pandemic continues to be present.

CORPORATE GOVERNANCE STATEMENT

The Group's revenue is dependent on delivering complex projects to specific markets and therefore ensures that cross-functional teams including senior employees work together with customers and local, in-country employees and partners to ensure the successful integration of its products and technologies.

Our customers and partners are key to the Group's success. The sales and delivery teams obtain feedback from customers regarding current products, product requirements and customer service through regular interactions with customers mainly comprising both face to face meetings and online discussions where travel is not possible (such as during the COVID-19 pandemic).

Our Environmental policy and Health and Safety Management policy, see pages 14 to 15 of the 2021 Annual Report, provides information on the Group's approach to the environment. The Group was awarded accreditation for the ISO14001, ISO9001 (2015) and ISO27001 standards in 2019.

CyanConnode fully abides by the Modern Slavery Act 2015.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. Such a system is designed to mitigate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

There is an ongoing process for identifying, evaluating and managing the Group's significant risks and is regularly reviewed by the Board. This has been of particular importance during the COVID-19 pandemic and the Group has found its processes to be robust minimising any impact of the lockdown.

The internal control procedures are delegated to Executive Directors and senior management in the Group, operating within a clearly defined departmental structure. The Board regularly reviews the internal control procedures in light of the ongoing assessment of the Group's significant risks.

On a monthly basis, management accounts, including a comprehensive cash flow forecast, are reviewed by the Board in order to provide effective monitoring of financial performance. At the same time the Board considers other significant strategic, organisational and compliance issues to ensure that the Group's assets are safeguarded, and financial information and accounting records can be relied upon. The Board formally monitors monthly progress on each development.

Please see pages 11 to 13 of the 2021 Annual Report for a summary of the principal risks and uncertainties facing the Group, as well as mitigating actions.

The Group takes security of personal data seriously and ensures compliance with the GDPR which came into effect on 25 May 2018. The Group's privacy policy can be found on the Company's website at https://cyanconnode.com/about/privacy-policy/

The Group also takes security of all data and its intellectual property very seriously and in 2019 received accreditation for the ISO27001 standard. Quality of product and process are important to the Group. The Group has been accredited for ISO9001:2008 since 2008 and received accreditation for the ISO9001:2015 standard in 2019.

The Group has adopted an Anti-Bribery policy which can be found on the Company's website at https://cyanconnode.com/investors/bribery-act/ The Group Bribery Officer ensures that all partners and agents working for the Group sign acceptance of the terms of this policy prior to engagement with any Group company, and provides training to employees on this policy.

5. Maintain the Board as a well-functioning, balanced team led by the Chair

The Company and Group are managed by a Board of directors chaired by John Cronin. The Board is responsible for taking all major strategic decisions and also addressing any significant operational matters. In addition, the Board reviews the risk profile of the Group and ensures that an adequate system of internal control is in place. A formal schedule of Matters Reserved for the Board has been adopted and will be reviewed periodically.

It has been agreed that the Board will at any time consist of either two or three Executive Directors and three Non-Executive Directors. One of the Non-Executive Directors, Chris Jones, is considered by the Board to be independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement in accordance with the QCA Code. Both David Johns-Powell and Peter Tyler are only considered as non-independent due to their shareholdings in the Company.

The Non-Executive Chris Jones is available to shareholders where concerns have not been resolved through the normal channels of communication with the Board and for when such contact would be inappropriate.

The Board has sufficient members to contain the appropriate balance of skills and experience to effectively operate and control the business. No one individual has unfettered powers to make decisions.

The Roles of the Chairman and Chief Executive are not separate, however following consultation with the Company's Nominated Adviser it is believed that this situation is appropriate for the Group's current size and stage of growth. This position is reviewed regularly and discussed with advisers. The Executive Chairman's main responsibility is the leadership and management of the Board and its governance. The Group has an MD & CEO of its entity in India to manage the Indian operations, as well as a Vice-Chair of the entity in India. Engineering and operations are managed by the Group Chief Operating Officer. These three executive managers are very experienced and it is therefore felt that there is no need for a separate Chief Executive Officer role.

The Executive Directors are responsible for the leadership and day-to-day management of the Group. This includes formulating and recommending the Group's strategy for Board approval and executing the approved strategy. Both executive directors are employed on a full-time basis by the Company.

The Board meets regularly, at least 4 times a year and more frequently if necessary. In addition to this the Board attends strategy meetings with senior members of staff presenting on areas of the business and business strategy. No such meetings were held during FY21 due to travel restrictions and social distancing all as a result of COVID-19, however they are expected to resume as soon as appropriate. It is expected that each non-executive director will dedicate sufficient time to the Company to understand the business, prepare for and attend Board and committee meetings and carry out other work that is necessary for them to fulfil their duties as a director.

Board and Committee attendance during the year

Director	Board	Audit Committee	Remuneration Committee
John Cronin	13 (13)	-	1 (1)
Heather Peacock*	13 (13)	2 (2)	1 (1)
David Johns-Powell	11 (13)	-	-
Chris Jones	11 (13)	2 (2)	1 (1)
Peter Tyler	11 (13)	2 (2)	1 (1)

* Heather Peacock attended the Audit Committee meetings by invite, and the Remuneration Committee meeting in her capacity as Company Secretary.

The nominations and appointments of new Board members during the period were dealt with via full Board meetings and discussions rather than via Nominations Committee meetings.

6. Ensure that between them, the directors have the necessary up-to-date experience, skills and capabilities

The Board considers that the skills, experience and knowledge of each director gives them the ability to constructively challenge strategy and decision making and scrutinise performance. Their biographical details are set out on the Company's website at https://cyanconnode.com/about/team/ and on pages 16 to 17 of the 2021 Annual Report.

As the business has developed, the composition of the Board has been under review to ensure that it remains appropriate to the managerial requirements of the group. At least one third of the directors retire annually in rotation in accordance with the Company's Articles of Association. This enables the shareholders to decide on the election of the Company's Board.

The Board takes decisions regarding the appointment of new directors as a whole and this is only done following a thorough assessment of a potential candidate's skills and suitability for the role.

During the course of the year, directors' skills and knowledge were kept up to date by receiving updates from the Company Secretary (who is a Member of the Governance Institute and receives regular updates from the Institute and other bodies) and external advisers, where relevant, on corporate governance matters. Corporate governance is an agenda item for all Board Meetings where updates are provided and discussed.

Directors have access to independent professional advice at the Company's expense. In addition, they have access to the advice and services of the Company Secretary who is responsible to the Board for advice on corporate governance matters. Chris Jones is the Independent Non-Executive Director.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The effectiveness of the Board and its committees are kept under review in accordance with corporate governance best practice and the performance of the Board is evaluated continuously. During FY21 there was no formal Board evaluation done as the Board was focussed on ensuring stability within the Company during COVID-19, and delivery of contracts however an evaluation will be done as early as possible during FY22. Non-Executive Director's value and input is monitored by the Chair to ensure they are actively contributing to the Company achieving its strategic and financial objectives. The Nominations Committee is responsible for succession planning of the Board. Further information on this is set out on page 25.

8. Promote a corporate culture that is based on ethical values and behaviours

We recognise that it is our people who make us different, and we strive to recruit, retain, engage and develop the best.

We continue to encourage our unique and supportive culture, which we believe sets us apart from competitors. The Group endeavours to ensure that its values are visible throughout its recruitment processes, internal communications and management style, corporate reports and external announcements. We expect that the Board and Senior Leadership Team demonstrate these values in their day-to-day work, setting the example for the rest of the Group. All policies and procedures are designed with these values at their core. The Company Secretary keeps in regular contact with teams in the UK and in India to ensure that these values are recognised and respected.

Upon commencement of an employee's contract, they are given an induction programme to provide them with all information relating to Company procedures and values. The Group operates from three offices, one in Cambridge in the UK, one in Gurgaon in India and one in Stockholm, Sweden. Our comprehensive set of policies and procedures, many of which fall under the Company's ISO accredited procedures, cover all of our operations. They are constantly updated and communicated to relevant employees and everyone else working on our sites. Details of these policies can be found on pages 14 to 15 of the 2021 Annual Report. During FY21 the Company was focussed on the health and safety of employees and setting up policies to comply with social distancing guidance set by governments around the world as a result of the COVID-19 outbreak. Employees worked from home for most of the year, with safe, socially distanced access to offices where work could not be performed remotely. The Group did not furlough any employees as a result of business requirements.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board is made up of two Executive Directors (Executive Chairman, who covers the role of the CEO, and the Chief Financial Officer), and three Non-Executive Directors. Further information on the composition of the Board and how it operates is set out in Principle 5 above. In addition to any matters that are expressly required by law to be approved by the Board, a number of areas are specifically reserved for the Board as set out in an agreed set of Matters Reserved for the Board which was adapted by the Board in March 2018.

The Group's overriding principles are that the Board:

- Is established to govern by having the appropriate roles, skills and committees to oversee the governance framework under which it operates;
- Looks to the future: the Board will devote a large amount of its time to considering the future and providing strategic leadership;
- Is ultimately responsible to shareholders for the oversight and performance of the Group; and
- Is there to support and maintain a culture of governance, performance, accountability and communication within CyanConnode that embraces and establishes the principles that it has adopted.

The Board has an Audit Committee, a Remuneration Committee and a Nominations Committee to oversee and consider issues of policy outside of main Board meetings. Each Committee has written terms of reference setting out its duties, authority and reporting responsibilities, also adopted by the Board in March 2018.

Board committees are authorised to engage the services of external advisers as they deem necessary in the furtherance of their duties at the Company's expense. Details concerning the composition and meetings of the committees are contained in page 25 of the Corporate Governance Statement in the 2021 Annual Report and on the Company's website at https://cyanconnode.com/investors/governance/

10. Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Communications with shareholders is through the Annual Report and Accounts, full-year and half-year announcements, periodic market announcements (as appropriate), the AGM, investor presentations, one-to-one meetings and investor road shows.

The Group's website www.cyanconnode.com is regularly updated and users can register at https://cyanconnode.com/investors/shareholder-information/investor-alert/ to be alerted when announcements or details of presentations and events are posted on the website. Annual reports and notices of meetings for at least the last five years can be found on the Group's website.

Board Composition and Responsibility

At 31 March 2021 the Board comprised of five directors, including the Executive Chairman, the Chief Financial Officer and three non-executive directors, one of whom is considered to be independent. Three of the five directors in post at 31 March 2021 served throughout the year.

Name	Role	Appointed	Resigned	In post 1 April 2020	In post 31 Mar 2021
Executive					
John Cronin	Executive Chairman	20/03/12		Yes	Yes
Heather Peacock	Chief Financial Officer*	25/07/18		Yes	Yes
Non-executive					
William David Johns-Powell		25/07/18		Yes	Yes
Christopher Jones		19/03/19		Yes	Yes
Peter Tyler		19/03/19		Yes	Yes

* Heather Peacock has also held the role of Company Secretary since September 2013.

The Board is responsible for overall strategy, the policy and decision-making framework in which this strategy is implemented, approval of budgets, monitoring performance, and risk management. The Board meets at least on a quarterly basis and follows a formal agenda. It also meets as and when required to discuss matters that may arise in between formal Board meetings. All directors are required to retire by rotation according to the Articles of the Company.

No director has a service agreement requiring more than twelve months' notice of termination to be given.

The Board is satisfied that an appropriate balance of independence, skills and experience has been and remains in place to enable the Board to perform its responsibilities effectively. An overview of the skills and experience of each Board member is given above.

The directors may take independent professional advice at the Company's expense.

Board Subcommittees

The Board has three subcommittees as set out below. Each subcommittee has Terms of Reference, approved by the Board, which set out the main roles and responsibilities and remit of each committee. A set of Matters Reserved for the Board and a Board Charter, also approved by the Board, govern the way in which the Board operates and sets out the matters for which the Board has responsibility and those for which the Executive Directors have responsibility.

Audit committee: Peter Tyler (Chairman), Chris Jones. Peter Tyler has held the position of Chairman from 19 March 2019.

The Audit Committee Report on page 32 sets out the roles and responsibilities of the Audit Committee.

Remuneration committee: Chris Jones (Chairman). Peter Tyler. Chris Jones has held the position of Chairman since 19 March 2019.

The Directors' Remuneration Report on page 27 onwards sets out the roles and responsibilities of the Remuneration Committee and the Remuneration Policy for Executive Directors.

Nominations committee: David Johns-Powell (Chairman), John Cronin, Peter Tyler and Chris Jones

The Company has formal procedures for making appointments to the Board and these are applied to ensure that any new appointments that might be made meet the desired criteria. The Chair continually considers the makeup of the Board to ensure it has the required skills for its industry and stage.

Appointment of senior executives such as the CEO & MD of CyanConnode India are made by the Executive Directors in consultation with the full Board.

Relationships with Shareholders

The Board actively engages with its shareholders on a regular basis, with importance being placed on clear, timely communications. This is in the form of open presentations at the Annual General Meeting and further private presentations thereafter to fund managers, analysts, and institutional investors. Information is posted on the Company's web site, www.cyanconnode.com. Please take a look at the comprehensive Investor Relations section on this website which is regularly updated. John Cronin and Heather Peacock are the directors responsible for investor relations.

Approved by the Board of Directors and signed on behalf of the Board.

John Cronin
Executive Chairman
5 August 2021

GOVERNANCE

Directors' Remuneration Report

Remuneration Committee

Chris Jones has served as chairman of the Remuneration Committee since 19 March 2019.

The only personal financial interests of the members of the Committee are as shareholders, and in the case of Peter Tyler as the provider of a short-term loan of £100,000. None of the Committee members has any conflicts of interests arising from cross-directorships. The Committee makes recommendations to the Board. No director plays a part in any discussion about his own remuneration.

Whilst companies whose shares are listed on AIM are not formally required to comply with the accounting regulations regarding directors' remuneration, the Board supports these regulations and applies them in so far as is practicable and appropriate for a public Company of its size. In line with previous years, the Directors' Remuneration Report will not be put to a shareholders' vote.

Remuneration Policy for the Executive Directors

Executive remuneration packages are designed to attract, motivate and retain directors of the high calibre needed to maintain the Group's market position to reward them for enhancing value to shareholders. Their packages are set to reflect their responsibilities, experience and marketability. The performance measurement of the executive directors and key members of senior management and the determination of their annual remuneration package is undertaken by the Committee to ensure they remain competitive and also align with the success of the Company.

The main elements of the remuneration package for the executive directors and senior management are:

- Basic annual salary;
- Benefits-in-kind;
- Annual bonus payments;
- Consultancy fees;
- Share option incentives; and
- Pension arrangements.

Executive directors are entitled to accept appointments outside the Company (for example Non-Executive Director roles and Consultancy) providing that the Chairman's permission is sought and is not in conflict with CyanConnode.

All Directors are encouraged to invest in the Company. This table shows the £5.7m they have invested thus far (see page 29 to 30 for more details of their shareholdings).

	Total investment to date £'000	Annual remuneration FY 2021 £'000	Total investment as % of remuneration
John Cronin	1,083	309	350%
David Johns-Powell	3,867	-	n/a
Heather Peacock	99	204	49%
Peter Tyler	670	-	n/a
Chris Jones	2	26	8%
Total	5,721	539	1,061%

In addition during the period short term loans were provided to the Company by John Cronin (£300,000) and Peter Tyler (£100,000).

Basic Salary

An executive director's basic salary is reviewed by the Committee prior to the beginning of each year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers the remuneration policy for Executive Directors and the Group as a whole. In addition, it relies on objective research, which gives up-to-date information on a comparator group of companies.

Benefits-in-Kind

The executive directors are entitled to receive certain benefits-in-kind, principally private medical insurance.

Annual Bonus Payments

Annual bonuses are awarded at the discretion of the Remuneration Committee as an incentive and to reward performance during the financial year pursuant to specific performance criteria including cash collection and revenue growth. In exercising its discretion, the Committee takes into account the strategic objectives set by the Board to ensure these are being met. These objectives will evolve as the business grows and are expected to change year on year according to business requirements. Total bonus payments of £207,433 were made to Directors for FY 2021 (2020: £nil)

Directors' Share Options

Full details of the directors' options over ordinary shares of 2.0p are set out below:

Director	Grant Date	Expiry Date	Exercise Price £	As at 31 March 2021 Number	As at 31 March 2020 Number
John Cronin	17/11/17	17/11/27	0.336	558,101	558,101
	25/01/18	25/01/28	0.29	200,000	200,000
	22/09/20	22/09/30	0.10	360,342	-
				1,118,443	758,101
Heather Peacock	17/11/17	17/11/27	0.308	619,424	619,424
	11/12/17	11/12/27	0.40	25,000	25,000
	20/06/18	20/06/28	0.28	745,222	745,222
	22/09/20	22/09/30	0.10	90,909	-
				1,480,555	1,389,646
Chris Jones	22/09/20	22/09/30	0.10	57,556	-
				57,556	-
Peter Tyler	22/09/20	22/09/30	0.10	40,000	-
				40,000	-
David John-Powell	28/09/20	28/09/30	0.10	250,000	-
				250,000	-

Share options have a life of 10 years. When a director leaves the Company, he or she will be entitled to exercise any vested options for between three months and one year after leaving the Company. Any options not exercised during this period will then lapse.

Joint Share Ownership Plan

In 2008, the Company established a Joint Share Ownership Plan ("JSOP") to provide additional incentives to directors and certain senior executives (the "Participants"). The JSOP shares are held jointly between the Participant and the CyanConnode Holdings plc Employee Benefit Trust. Under the terms of the JSOP rules the Participants are eligible to receive the excess of any disposal proceeds received for the JSOP shares over the participation price.

During the year to March 2021 no JSOP shares were granted to any directors of the Company. At 31 March 2021, shares held by directors under this scheme were as follows:

Director	Grant Date	Expiry Date	Participation Price £	As at 31 March 2021 Number	As at 31 March 2020 Number
John Cronin	23/10/17	23/10/22	0.4964	3,219,200	3,219,200
	23/10/17	23/10/22	0.333	1,382,425	1,382,425
				4,601,625	4,601,625
Heather Peacock	23/10/17	23/10/22	0.434	267,396	267,396
	23/10/17	23/10/22	0.333	296,568	296,568
				563,964	563,964

JSOP shares have a life of 5 years. When a director leaves the Company, he or she will be entitled to keep the vested shares until the expiry dates and any unvested shares will be brought back into the Employee Benefit Trust within 90 days of the director leaving the Company.

Directors' Interests in Shares in the Company

Director	Shares
John Cronin	
As at 1 April 2020	3,413,467
Purchased during the year	1,827,733
As at 31 March 2021	5,241,200
David Johns-Powell	
As at 1 April 2020	17,583,490
Purchased during the year	1,500,000
As at 31 March 2021	19,083,490
Peter Tyler	
As at 1 April 2020	2,449,004
Purchased during the year	40,000
As at 31 March 2021	2,489,004
Heather Peacock	
As at 1 April 2020	278,255
Purchased during the year	405,516
As at 31 March 2021	683,771

Director	Shares
Chris Jones	
As at 1 April 2020	-
Purchased during the year	57,556
As at 31 March 2021	57,556
Total	
As at 1 April 2020	23,724,216
Purchased during the year	3,830,805
As at 31 March 2021	27,555,021

The shareholding for Directors of the Company disclosed above excludes shares held under the Company's Joint Share Ownership Plan ("JSOP") in which they are beneficial co-owner of shares.

Pension Arrangements

Executive directors are entitled to become members of the Company pension scheme. This is a defined contribution scheme whereby the Company contributes at a rate of 5% of the executive's gross salary. Heather Peacock is a member of the Company pension scheme. John Cronin is not a member of this scheme.

Directors' Contracts

It is the Company's policy that the executive directors should have contracts with an indefinite term providing for a maximum of one year's notice. It may be necessary on occasion to offer longer notice periods, but this has not been necessary for any director on the current Board. All executive directors have contracts that are subject to twelve months' notice by either party.

Name of Director	Date of contract
John Cronin	20 March 2012
Heather Peacock	25 July 2018
William David Johns-Powell	25 July 2018
Chris Jones	19 March 2019
Peter Tyler	19 March 2019

Non-Executive Directors

All non-executive directors have specific terms of engagement and their remuneration is determined by the Board within the limits set by the Articles of Association and based on independent surveys of fees paid to non-executive directors of similar companies. The fees paid to each non-executive director during the period are set out in the table on the next page.

Directors' Emoluments (audited)

Amounts for FY21 ending March 2021

Name of Director	Salary £	Fees £	Pension and other benefits £	Bonus £	Total for FY 2021 (12 months) Services £	Total for 2020 (15 months) Services £
Executive						
John Cronin (Note 1)	19,500	157,500	-	131,600	308,600	242,500
Harry Berry	-	-	-	-	-	205,288
Heather Peacock (Note 2)	121,500	-	5,742	75,833	203,075	172,031
Non-Executive						
Chris Jones (Note 3)	25,625	-	-	-	25,625	31,250
David Johns-Powell	-	-	-	-	-	-
Peter Tyler	-	-	-	-	-	-
Paul Ratcliff	-	-	-	-	-	23,740
Total	166,625	157,500	5,742	207,433	537,300	674,809

Note 1

In July 2019 John Cronin's remuneration package was adjusted to a basic salary (including fees) of £210,000. A bonus of £131,600 was awarded to John Cronin for the period (2020: £nil) of which £67,500 was paid in shares. From April 2020, John Cronin volunteered to non-refundable 30% pay reduction during the COVID-19 outbreak for six months.

Note 2

From December 2020, Heather Peacock's base salary was adjusted from £130,000 to £150,000 per annum. A bonus of £75,833 was awarded for the period (2020: £nil), of which £30,000 was paid in shares. From April 2020, Heather Peacock volunteered to a non-refundable 20% pay reduction during the COVID-19 outbreak for six months.

Note 3

From April 2020, Chris Jones volunteered to non-refundable 25% pay reduction following the COVID-19 outbreak for six months.

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the directors.

Approval

This report was approved by the Board of directors on 5 August 2021 and signed on its behalf by:

Chris Jones
Chairman of the Remuneration Committee

GOVERNANCE

Audit Committee Report

Introduction

This Audit Committee Report has been prepared by the Audit Committee and approved by the Board.

Membership and meetings held

The Audit Committee is chaired by Peter Tyler and its other member is Chris Jones (both Non-Executive Directors). The Committee met twice during the period ended 31 March 2021, linked to events in the Company's financial calendar. The Chief Financial Officer also attended each of these meetings. The external audit partner attended the meeting held in connection with the Company's Report and Accounts for the periods ended 31 March 2021.

Role of the Audit Committee

The Terms of Reference for the Audit Committee, which have been prepared in accordance with the QCA Code, provide for the Committee's main responsibilities to include:

- Monitoring the integrity of the financial statements of the Company and its Group;
- Reviewing and challenging the consistency of accounting policies and standards;
- Reporting back to the Board on any aspects of the proposed financial reporting of the Group with which it is not satisfied;
- Keep under review the adequacy and effectiveness of the Company's and Group's internal financial controls and systems;
- Reviewing the risk identification and risk management processes of the Group, and
- Reviewing the Group's procedures to prevent bribery and corruption in addition to ensuring that appropriate whistleblowing arrangements are in place.

Internal Audit

Due to the current size of the Group the audit committee obtain sufficient oversight over the operations through engagement with the Group and attendance of board meetings. It is therefore not considered appropriate to have an internal audit function.

Key Areas of Focus

The Committee's particular areas of focus during the year were as follows:

- Review of the March 2020 Annual Report;
- Review of the interim results for the six months ended 30 September 2020; and
- Ongoing review of the Group's cash forecasts, including any impact from COVID-19.

Management of Risk

As in previous years, the oversight of risk, and risk management are the responsibility of the Board as a whole, rather than a sub-committee. This is put into effect by the preparation of a Risk Register, maintained as part of the ISO 9001 procedures.

Committee Evaluation

During the period a new Audit Committee was appointed as part of a full Board evaluation. The committee will be evaluated as part of each evaluation of the Board. No evaluation was done during the period.

Approval

This report was approved by the Board of directors on 5 August 2021 and signed on its behalf by:

Peter Tyler
Chairman of the Audit Committee

GOVERNANCE

Directors' Report

The directors present their annual report on the affairs of the Group together with the audited financial statements for the year ended 31 March 2021. The Company's statement on corporate governance can be found on pages 20 to 26 of the financial statements. The corporate governance report forms part of the Directors' Report and is incorporated by cross reference.

In December 2019, the Group and Company's reporting date changed from 31 December to 31 March to align with the reporting date of the Indian subsidiary, which is required by law to have a year end of 31 March. The current financial period represents the 12-month period to 31 March 2021 while the prior financial period covered the 15-month period to 31 March 2020.

Going Concern

To assess the ability of CyanConnode Holdings plc ("Group") to continue as a going concern, the directors have prepared a business plan and cash flow forecast for the period to 31 March 2023 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.

The Financial Review on pages 18 to 19 set out more detail regarding the Board's assessment of its going concern position.

Financial Risk Management Objectives and Policies

Details of the Group's financial risk management objectives and policies are set out in note 34 of the financial statements.

Dividends

The directors' dividend policy is set out in the Financial Review on page 19.

Share Capital and Capital Structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 26. At 31 March 2021, the Company had one class of ordinary shares of 2.0 pence each, which carried no right to fixed income and represented 100% of the issued share capital of the Company. Each share carried the right to one vote at general meetings of the Company. The Company's capital structure consisted only of issued share capital, which it manages to maximise the return to shareholders.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of the employee share schemes are set out in note 33.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of directors are described in the Corporate Governance Statement on pages 20 to 26.

In accordance with the Companies Act 2006 the Company has no authorised share capital.

Capital Risk Management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or sell assets to reduce debt. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the periods ended 31 March 2020 and 31 March 2021.

Directors and their Interests

The Directors who served the Company throughout the year and up to the date of signing, unless otherwise stated, were as follows:

Executive Directors

John Cronin (Executive Chairman)

Heather Peacock (Chief Financial Officer)

Non-Executive Directors

William David Johns-Powell

Chris Jones

Peter Tyler

The interests of the directors in the shares of the Company are shown in the remuneration committee report on pages 29 to 30.

Research, Design and Development

The Group is committed to the research, design and development of mesh based flexible solutions for metering, lighting and IoT markets. As a high growth technology company, the focus is to develop unique technology that takes CyanConnode forward with its strategy to be a world leader in the design and development of Narrowband RF mesh networks that enable Omni Internet of Things (IoT) communications.

The total expenditure on research and development including staff costs in the period was £1,791,000 (2020: £2,381,000).

Directors' indemnity arrangements

CyanConnode has purchased and maintained throughout the year Directors' and Officers' liability insurance in respect of itself and its Directors.

Significant Holdings

The Company had been notified of the following voting rights of shareholders in the Company at 5 August 2021 and at the same date its issued share capital consisted of 219,983,799 Ordinary Shares:

Name	Percentage of issued share capital	Number of ordinary shares
William David Johns-Powell	8.77%	19,294,016
Premier Milton Group Plc	7.59%	16,704,642
Herald Investment Management Limited	6.93%	15,243,684
Suresh Chari	6.10%	13,416,903
Nightingale Investment Co Limited	3.81%	8,382,352
Biggles Enterprise Limited	3.79%	8,333,333
CRUX Asset Management	3.11%	6,842,105

Fixed Assets

In the opinion of the directors there is no material difference between the market value of fixed assets and the amounts at which they are stated in note 16 to the accounts.

Supplier Payment Policy

It is the policy of the Group to settle supplier invoices in line with the terms of business negotiated with them. The average credit period taken for trade purchases is constant at 30 days (2020: 20 days).

Auditor

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

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

RSM UK Audit LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint it will be proposed at the forthcoming Annual General Meeting.

Post Balance Sheet Events

On 3 June 2021 CyanConnode Holdings plc raised £3.15 million (before expenses of approximately £180,000) through a placing of 27,196,395 ordinary shares of 2.0 pence each and a subscription for 5,973,681 New Ordinary Shares.

Information in other reports

The company has chosen, in accordance with the Companies Act 2006 s414C(11), to set out in the Chairman's Statement, Financial Review, Strategic Report and Corporate Governance Statement, certain information required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 Sch. 7 to be contained in the Directors' Report. This information includes how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others. It also includes the effect of having this regard for key stakeholders, including on the principal decisions taken by the company during the financial year, which can be found in Principle 3 of the Corporate Governance Report on pages 20 to 21.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board.

John Cronin
Executive Chairman
5 August 2021

GOVERNANCE

Directors' Responsibilities Statement

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

Company law requires the directors to prepare group and company financial statements for each financial year. The directors have elected under company law to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and have elected under company law to prepare the company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

The group and company financial statements are required by law and international accounting standards in conformity with the requirements of the Companies Act 2006 to present fairly the financial position of the group and the company and the financial performance of the group. The Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the *CyanConnode Holdings plc* website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

John Cronin
Executive Chairman
5 August 2021

FINANCIAL STATEMENTS

Independent Auditor's Report

TO THE MEMBERS OF CYANCONNODE HOLDINGS PLC

Opinion

We have audited the financial statements of CyanConnode Holdings plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2021 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated cash flow statement, company balance sheet, company statement of changes in equity, company cash flow statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities 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.

Material uncertainty related to going concern

We draw attention to the going concern wording in note 2 to the financial statements where the directors have identified that there is uncertainty over the level and timing of cash receipts in respect of certain sales which are required from customers to allow the group to continue trading without additional finance.

As outlined in note 2, the reliance on customer receipts during a pandemic in countries which are adversely affected and the potential need for additional financing indicate that a material uncertainty exists that may cast significant doubt on the group's and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- understanding how the cash flow forecasts for the going concern period had been prepared and the assumptions adopted;
- testing of the integrity of the forecast model to ensure it was operating as expected;
- challenging the key assumptions within the forecast with agreement to supporting data where possible;
- review and consideration of the appropriateness of the sensitivity analysis performed by management and available actions should performance be behind expectations.

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

Summary of our audit approach

Key audit matters	**Group** • Revenue recognition • Impairment **Parent company** • Impairment
Materiality	**Group** • Overall materiality: £325,000 (2020: £325,000) • Performance materiality: £243,000 (2020: £243,000) **Parent Company** • Overall materiality: £106,000 (2020: £110,000) • Performance materiality: £80,000 (2020: £82,500)
Scope	Our full scope audit procedures covered 92% of revenue, 99% of total assets and 98% of the loss before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group and parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material uncertainty related to going concern section we have determined the matters described below to be the key audit matters to be communicated in our report.

Group - revenue recognition

Key audit matter description	The group's contracts involve the supply of various products and services. There is management judgement required to determine the performance obligations in the contracts, allocate revenue to each of these obligations and ensure income is appropriately recognised in line with the requirements of IFRS 15.
How the matter was addressed in the audit	We reviewed and challenged management's assessment of the performance obligations identified for a sample of contracts. We then performed cut-off testing and substantive testing procedures to validate that the revenue recognised in the year was in line with the contractual terms and IFRS 15 requirements. We also considered the adequacy of the group's revenue recognition accounting policy as disclosed in note 2.

Group - impairment

Key audit matter description	The group has a significant goodwill balance of £1.93m which is subject to an annual impairment review. In addition, due to the loss-making nature of the group, other assets including the SMIP intangible of £4.10m is also subject to an impairment review. In performing the impairment review, management judgement is required in a number of areas including estimating future sales, costs and timing of related cashflows as well as determining an appropriate discount rate.
How the matter was addressed in the audit	We critically assessed the impairment reviews performed by management including a review of the client's board approved forecasts and discounted cashflow calculations to assess whether the assumptions appeared reasonable. We also evaluated management's sensitivity analysis around the key assumptions to ascertain the extent of change in those assumptions that individually or collectively would be required to lead to an impairment.

Parent company - impairment

Key audit matter description	The parent company has investments of £9.19 million in its subsidiaries and significant receivable balances due from subsidiary undertakings. Given the loss-making nature of the subsidiaries, an impairment review of these balances is required. This involves management judgement including estimating future sales and cashflows.
How the matter was addressed in the audit	We critically assessed the impairment review performed by management over the carrying value of investments and group debtor balances. Our work included a review of the client's assessment of the potential for impairment including a review of board approved forecasts and discounted cashflow calculations to assess whether the assumptions appeared reasonable.

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	**Parent company**
Overall materiality	£325,000 (2020: £325,000)	£106,000 (2020: £110,000)
Basis for determining overall materiality	5% of average loss before tax over the last three years	1.1% of net assets
Rationale for benchmark applied	Loss before tax chosen as the group is profit orientated.	Net assets were chosen as the entity is a non-trading holding company.
Performance materiality	£243,000 (2020: £243,000)	£80,000 (2020: £82,500)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £15,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £5,000 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

	Number of components	Revenue	Total assets	Loss before tax
Full scope audit	3	92%	99%	98%

Analytical procedures at the group level were performed for the remaining two components. All audit procedures were undertaken by the group auditor with no reliance placed on component auditors.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 38, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

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

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

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

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team included:
UK-adopted IAS and Companies Act 2006	Review of the financial statement disclosures and testing to supporting documentation; Completion of disclosure checklists to identify areas of non-compliance.
Tax compliance regulations	Inspection of advice received from external tax advisors; Inspection of correspondence with local tax authorities.
GDPR	ISAs limit the required audit procedures to identify non-compliance with these laws and regulations to inquiry of management and where appropriate, those charged with governance.

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
Revenue recognition	See key audit matters above. In addition, we reviewed a sample of revenue journals for appropriateness.
Management override of controls	Testing the appropriateness of journal entries and other adjustments; Assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Use of our report

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

NEIL STEPHENSON (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Second Floor, North Wing East, 126-130 Hills Road
Cambridge
CB2 1RE

5 August 2021

FINANCIAL STATEMENTS

Consolidated income statement

FOR THE YEAR ENDED 31 MARCH 2021

	Note	Year 31 March 2021 £'000	15 months 31 March 2020 £'000
Continuing operations			
Revenue	4	6,437	2,451
Cost of sales		(3,334)	(1,081)
Gross profit		3,103	1,370
Other operating costs	6	(5,788)	(7,600)
Underlying operating loss		(1,978)	(5,190)
Amortisation and depreciation		(627)	(773)
Share based payments		(80)	(267)
Operating loss		(2,685)	(6,230)
Finance income	9	13	17
Finance expense	10	(62)	(30)
Loss before tax		(2,734)	(6,243)
Tax credit	11	677	576
Loss for the period		(2,057)	(5,667)
Loss per share (pence)			
Basic	12	(1.18)	(3.27)
Diluted	12	(1.18)	(3.27)

FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 MARCH 2021

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

	Year 31 March 2021 £'000	15 months 31 March 2020 £'000
Loss for the period	(2,057)	(5,667)
Exchange differences on translation of foreign operations	(25)	56
Total comprehensive income for the period	(2,082)	(5,611)

FINANCIAL STATEMENTS

Consolidated statement of financial position

AS AT 31 MARCH 2021

	Note	31 March 2021 £'000	31 March 2020 £'000
Non-current assets			
Intangible assets	13	4,266	4,558
Goodwill	15	1,930	1,930
Other financial assets	19	44	93
Property, plant and equipment	16	36	43
Right of use asset	17	98	274
Total non-current assets		6,374	6,898
Current assets			
Inventories	20	211	308
Trade and other receivables	21	5,355	2,881
R&D tax credit receivables		577	795
Cash and cash equivalents	22	1,489	1,172
Total current assets		7,632	5,156
Total assets		14,006	12,054
Current liabilities			
Trade and other payables	23	(3,969)	(1,491)
Short-term borrowings	24	(2,118)	(560)
Lease liabilities	17	(98)	(121)
Total current liabilities		(6,185)	(2,172)
Net current assets		1,447	2,984
Non-current liabilities			
Lease liabilities	17	-	(153)
Deferred tax liability	25	(812)	(912)
Total non-current liabilities		(812)	(1,065)
Total liabilities		(6,997)	(3,237)
Net assets		7,009	8,817
Equity			
Share capital	26	3,735	3,656
Share premium account	27	69,662	69,547
Own shares held	28	(3,253)	(3,253)
Share option reserve	29	925	2,028
Translation reserve	30	(45)	(20)
Retained losses	31	(64,015)	(63,141)
Total equity being equity attributable to owners of the Company		7,009	8,817

The financial statements of CyanConnode Holdings plc (registered number 04554942) were approved by the board of directors and authorised for issue on 5 August 2021. They were signed on its behalf by:

John Cronin
Director

FINANCIAL STATEMENTS

Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 MARCH 2021

	Share Capital £'000	Share Premium Account £'000	Own Shares Held £'000	Share Option Reserve £'000	Translation Reserve £'000	Retained Losses £'000	Total Equity £'000
Balance at 31 December 2018	3,648	69,515	(3,253)	1,761	(76)	(57,474)	14,121
Loss for the period	–	–	–	–	–	(5,667)	(5,667)
Other comprehensive income for the period	–	–	–	–	56	–	56
Total comprehensive income for the period	–	–	–	–	56	(5,667)	(5,611)
Issue of share capital	8	32	–	–	–	–	40
Credit to equity for share options	–	–	–	267	–	–	267
Total transactions with owners	8	32	–	267	–	–	307
Balance at 31 March 2020	**3,656**	**69,547**	**(3,253)**	**2,028**	**(20)**	**(63,141)**	**8,817**
Loss for the year	–	–	–	–	–	(2,057)	(2,057)
Other comprehensive expenses for the year	–	–	–	–	(25)	–	(25)
Total comprehensive income for the year	–	–	–	–	(25)	(2,057)	(2,082)
Issue of share capital	79	115	–	–	–	–	194
Credit to equity for share options	–	–	–	80	–	–	80
Transfer	–	–	–	(1,183)	–	1,183	–
Total transactions with owners	79	115	–	(1,103)	–	1,183	274
Balance at 31 March 2021	**3,735**	**69,662**	**(3,253)**	**925**	**(45)**	**(64,015)**	**7,009**

FINANCIAL STATEMENTS

Consolidated cash flow statement

FOR THE YEAR ENDED 31 MARCH 2021

	Note	Year 31 March 2021 £'000	15 months 31 March 2020 £'000
Net cash outflow from operating activities	32	(988)	(3,677)
Investing activities			
Interest received		13	17
Purchases of property, plant and equipment	16	(23)	(20)
Capitalisation of payments for software development	13	(129)	(36)
(Purchase) / disposal of other financial assets	19	49	(49)
Net cash outflow from investing activities		(90)	(88)
Financing activities			
Interest paid		(51)	(4)
Cash inflow from borrowings	24	1,718	560
Cash inflow from Directors' loan	24	400	–
Loan repayment		(560)	–
Capital repayments of lease liabilities	17	(176)	(197)
Interest paid on lease liabilities	17	(11)	(26)
Proceeds on issue of shares	26	75	40
Net cash inflow from financing activities		1,395	373
Net increase/(decrease) in cash and cash equivalents		317	(3,392)
Cash and cash equivalents at beginning of the period		1,172	4,564
Cash and cash equivalents at end of the period		1,489	1,172

Analysis of changes in net cash / (debt)

For the year ended 31 March 2021	At 1 April 2020 £'000	Cash flow £'000	Other non-cash movements £'000	At 31 March 2021 £'000
Cash and cash equivalents	1,172	317	–	1,489
Short-term borrowings	(560)	(1,558)	–	(2,118)
Lease liabilities	(274)	187	(11)	(98)
	(834)	(1,371)	(11)	(2,216)
Net cash / (debt) at end of year	338	(1,054)	(11)	(727)

For the 15 months ended 31 March 2020	At 1 January 2019 £'000	Cash flow £'000	Other non-cash movements £'000	At 31 March 2020 £'000
Cash and cash equivalents	4,564	(3,392)	–	1,172
Short-term borrowings	–	(560)	–	(560)
Lease liabilities	–	223	(497)	(274)
	–	(337)	(497)	(834)
Net cash / (debt) at end of period	4,564	(3,729)	(497)	338

Other non-cash movements include lease liabilities recognised on adoption of IFRS16 and interest on lease liabilities.

FINANCIAL STATEMENTS

Company balance sheet

AS AT 31 MARCH 2021

	Note	31 March 2021 £'000	31 March 2020 £'000
Non-current assets			
Intangible assets	14	—	—
Investments in subsidiaries	18	9,185	9,105
Total non-current assets		9,185	9,105
Current assets			
Trade and other receivables	21	1,093	1,291
Cash and cash equivalents	22	190	551
Total current assets		1,283	1,842
Total assets		10,468	10,947
Current liabilities			
Trade and other payables	23	(177)	(119)
Short-term borrowings	24	(785)	(560)
Total current liabilities		(962)	(679)
Net current assets		321	1,163
Net assets		9,506	10,268
Equity			
Share capital	26	3,735	3,656
Share premium account	27	69,662	69,547
Share option reserve	29	925	2,028
Retained losses	31	(64,816)	(64,963)
Total equity being equity attributable to owners of the Company		9,506	10,268

The Company reported a loss for the financial period ended 31 March 2021 of £1,036,000 (2020: £5,677,000). The financial statements of CyanConnode Holdings plc (registered number 04554942) were approved by the board of directors and authorised for issue on 5 August 2021. They were signed on its behalf by:

John Cronin
Director

FINANCIAL STATEMENTS

Company statement of changes in equity

FOR THE YEAR ENDED 31 MARCH 2021

	Share Capital £'000	Share Premium Account £'000	Share Option Reserve £'000	Retained Losses £'000	Total Equity £'000
Balance at 31 December 2018	3,648	69,515	1,761	(59,286)	15,638
Loss for the period	–	–	–	(5,677)	(5,677)
Total comprehensive income for the period	–	–	–	(5,677)	(5,677)
Issue of share capital	8	32	–	–	40
Credit to equity for share options	–	–	267	–	267
Total transactions with owners	8	32	267	–	307
Balance at 31 March 2020	**3,656**	**69,547**	**2,028**	**(64,963)**	**10,268**
Loss for the year	–	–	–	(1,036)	(1,036)
Total comprehensive income for the year	–	–	–	(1,036)	(1,036)
Issue of share capital	79	115	–	–	194
Credit to equity for share options	–	–	80	–	80
Transfer	–	–	(1,183)	1,183	–
Total transactions with owners	79	115	(1,103)	1,183	274
Balance at 31 March 2021	**3,735**	**69,662**	**925**	**(64,816)**	**9,506**

FINANCIAL STATEMENTS

Company cash flow statement

FOR THE YEAR ENDED 31 MARCH 2021

	Year 31 March 2021 £'000	15 months 31 March 2020 £'000
Loss for the year	(1,036)	(5,677)
Shares issued in lieu of bonus	119	-
Net impairment charge	767	4,870
Operating cash outflows before movement in working capital	(150)	(807)
Increase in receivables	(569)	(2,435)
Increase /(decrease) in payables	58	(77)
Net cash outflow from operating activities	(661)	(3,319)
Investing activities		
Additional investment in subsidiaries	–	(940)
Net cash outflow from investing activities	–	(940)
Financing activities		
Cash inflow from short-term borrowing	385	560
Cash inflow from Directors' loan	400	-
Loan repayment	(560)	-
Proceeds on issue of shares	75	40
Net cash inflow from financing activities	300	600
Net decrease in cash and cash equivalents	(361)	(3,659)
Cash and cash equivalents at beginning of the period	551	4,210
Cash and cash equivalents at end of period	190	551

Analysis of changes in net cash / (debt)

For the year ended 31 March 2021	At 1 April 2020 £'000	Cash flow £'000	Other non-cash movements £'000	At 31 March 2021 £'000
Cash and cash equivalents	551	(361)	–	190
Short-term borrowings	(560)	(225)	–	(785)
Net cash / (debt) at end of year	(9)	(586)	–	(595)

For the 15 months ended 31 March 2020	At 1 January 2019 £'000	Cash flow £'000	Other non-cash movements £'000	At 31 March 2020 £'000
Cash and cash equivalents	4,210	(3,659)	–	551
Short-term borrowings	–	(560)	–	(560)
Net cash / (debt) at end of period	4,210	(4,219)	–	(9)

FINANCIAL STATEMENTS

Notes to the financial statements

1. General information

CyanConnode Holdings plc, (Company Registered No. 04554942), is a public company limited by shares, incorporated in England and Wales under the Companies Act 2006. The address of the registered office is Merlin Place, Milton Road, Cambridge CB4 0DP.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2.

2. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis, with the exception of recognising financial instruments at fair value. This relates to bank securities only. The principal accounting policies adopted are set out below.

As part of continued operational efficiency and cost management, the Group also aligned its financial year end with its Indian subsidiary, CyanConnode Private Limited, in period to 31 March 2020. As a result of this change, the amounts presented in these financial statements for the year to 31 March 2021 are not entirely comparable with the prior 15-month period to 30 March 2020.

Alternative Performance Measures

The Group presents Alternative Performance Measures ("APMs") in addition to the statutory results of the Group. These are presented in accordance with the Guidelines on APMs issued by the European Securities and Markets Authority ("ESMA").

Going concern

To assess the ability of CyanConnode Holdings plc ("Group") to continue as a going concern, the directors have prepared a business plan and cash flow forecast for the period to 31 March 2023 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 Letters of Credit which have been secured from customers against contracts recently won.

At 31 March 2021 the Group had cash reserves of £1.5 million (2020: £1.2m) and based on detailed cash flows provided to the Board within the FY2022/23 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 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, the Group received unsecured short-term loans of £400,000 from two Directors, an advance of £385,000 secured against its R&D tax credit in March 2021 and an invoice discounting facility secured against Letters of Credit for deliveries of Omnimesh modules in India. The advance against the R&D tax credit will be repaid out of the HMRC receipt which is expected to be received by October 2021.

Notwithstanding the material uncertainties described above, which may cast significant doubt on the ability of the Group to continue as a going concern, 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.

Basis of consolidation

The Group financial statements include the financial statements of the Company and all of its subsidiary undertakings. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances and transactions are eliminated.

2. Significant accounting policies (continued)

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree, and the equity interests issued by the Group. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Group, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising, if any, are classified as equity and recognised in the Group's foreign currency translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Revenue recognition

The Group supplies customers with hardware, software and services. Revenue is usually recognised according to the five-step approach under IFRS 15 Revenue from Contracts with Customers.

The transaction price is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sale of hardware

Most hardware revenue relates to the sale of RF modules and gateways. RF modules are fitted into electricity and other meters to make them "smart". Gateways collect information from the smart meters and send it back to the utility company. CyanConnode is not responsible for fitting the RF modules into its customers' meters. Installation of the Gateways can be performed by CyanConnode or by a third party. Gateway installation is recognised as a separate contractual element – see "Sale of services" below for more information. Revenue for hardware is recognised when it is delivered to the customer.

Sale of software

CyanConnode has its own standards-based software which it licenses to its customers on either a term or a perpetual basis. These licenses are referred to as Head End Software (HES) licenses. The full value of the license is recognised as revenue when it is granted because at this point the customer is given full "right to use". Sometimes, the price of the HES license is not separately disclosed in the contract with the end customer but is included with related services. In these cases, the value related to the HES license is estimated based on the internal pricings CyanConnode used when it bid for the contract. Installation of the HES software onto the end customer's servers is recognised as a separate contractual element - see "Sale of services" below for more information.

Royalties

CyanConnode receives royalties for the manufacture of hardware according to its proprietary design. Royalty revenue is recognised based on the agreed charge per unit multiplied by the number of units manufactured. No revenue for royalties has been recognised in the current or prior period.

2. Significant accounting policies (continued)

Sale of services

The Group offers a range of services including but not limited to:

- Installation of HES software on end customer servers;
- Installation of gateways;
- Custom integration of HES software with end customer's own system;
- Network planning and optimisation;
- Project management;
- End user training; and
- Annual Maintenance Contract for the Omnimesh system (includes the RF modules, gateways and HES software.)

How revenue is recognised for these services depends on the way in which they are delivered:

- If the customer enjoys the value of the service across a period of time, and hence the performance obligation is fulfilled overtime, then revenue is spread over the period of delivery. This is the case for: project management (for which revenue is recognised based on stage of completion); and an annual maintenance contract for the Omnimesh system (for which revenue is recognised in equal increments over time).
- If the customer does not enjoy the value of the service over time, the customer enjoys the value of the service at a point in time, then revenue is recognised at the point of completion. This is the case for: installation of HES software on end customer servers; installation of gateways; custom integration of HES software with end customer's own system; network planning and optimisation; and end user training.

Fair value of consideration

If costs are higher than anticipated to the extent that a contract becomes loss-making as a whole, then a provision for this loss is charged to the income statement as soon as the loss is reasonably certain. No such loss has been recognised in the current or prior period.

Recoverability of revenue already recognised

Should collectability of an amount already included in revenue become uncertain, then the estimated amount which is no longer expected to be recovered is recognised as an operating expense and not as an adjustment of the amount of revenue originally recognised.

Research and development expenditure

An internally generated, or separately acquired, intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for such intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised on the above basis, development expenditure is recognised in profit or loss in the period in which it is incurred.

The capitalised assets will be amortised over their useful lives of 5 years.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. These were the only payments made by the Group in the period under review.

2. Significant accounting policies (continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Intangible assets: software

Software is accounted for at cost and amortised in equal annual instalments over a period of 5 years which is its estimated useful economic life. Provision is made for any impairment.

Intangible assets: customer contracts

Separately acquired customer contracts are included at cost and amortised in equal annual instalments over a period of 15 years which is their estimated useful economic life. Provision is made for any impairment.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and is then assessed annually for impairment.

Determining whether goodwill is impaired requires an estimation of the higher of value in use of the cash-generating units to which goodwill has been allocated or fair value less cost of disposal. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Whilst there is no indication of impairment, the model used by management in performing this assessment contains estimates in regards to the inputs into the discount rates and the inherent assumptions in forecasting which includes estimates of the growth in future sales, projected production costs and operating expenditure. Discount rates are based on management's assessment of risk inherent in the current business model. The impact of reasonably possible changes in assumptions are disclosed in note 15. A fair value less cost of disposal is only performed if the value in use model indicates an impairment.

Property, plant and equipment

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method to their estimated residual values on the following bases:

Fixtures and equipment 20% - 50% per annum

Right to use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

2. Significant accounting policies (continued)

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. They are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. For this purpose, the Group is taken as a single cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Financial instruments – assets

Classification and measurement of financial assets

All financial assets are classified as either those which are measured at fair value through profit or loss or Other Comprehensive Income, and those measured at amortised cost.

Financial assets are initially recognised at fair value. For those which are not subsequently measured at fair value through profit or loss, this includes directly attributable transaction costs. Trade and other receivables, and contract assets are subsequently measured at amortised cost.

Recognition and derecognition of financial assets

Financial assets are recognised in the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Impairment of financial assets

For trade and other receivables, and contract assets, the simplified approach permitted under IFRS 9 is applied. The simplified approach requires that at the point of initial recognition the expected credit loss across the life of the receivable must be recognised. As these balances do not contain a significant financing element, the simplified approach relating to expected lifetime losses is applicable under IFRS 9.

Trade and other receivables

Trade receivables and other receivables are measured and carried at amortised cost using the effective interest method, less any impairment. The carrying amount of other receivables is reduced by the impairment loss directly and a charge is recorded in the Income Statement. For trade receivables, the carrying amount is reduced by the expected lifetime losses. Subsequent recoveries of amounts previously written off are credited against the allowance account and changes in the carrying amount of the allowance account are recognised in the income statement.

2. Significant accounting policies (continued)

Trade receivables that are assessed not to be impaired individually are also assessed for impairment on a collective basis. Each period end, on a country-by-country basis we consider the amount of trade debtor provisions booked in the previous twelve months and book a general provision for doubtful debts according to the expected lifetime credit losses (based on an expected life of 12 months). The increase/decrease in this provision is then recognised through the income statement.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial instruments – liabilities

Financial liabilities are recognised in the Group's Balance Sheet when the Group becomes a party to the contractual provisions of the instruments and are initially measured at fair value, net of transaction costs. Non-derivative financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that discounts estimated future cash payments throughout the expected life of the financial liability or, where appropriate, a shorter period to the net carrying amount on initial recognition. The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or they expire.

The Group manages its foreign exchange risk through natural hedging by proactively planning to match the currency that revenues are receivable in with the currency of the costs associated with those revenues over the long term.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payment. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005.

The cost of equity settled transactions with employees is measured by reference to the fair value on the date they are granted. Where there are no market conditions attaching to the exercise of the options, the fair value is determined using a range of inputs into the Black-Scholes pricing model. The fair value of equity-settled transactions is charged to profit or loss over the period in which the service conditions are fulfilled with a corresponding credit to a share option reserve in equity.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. On the exercise of share options, an amount equal to the fair value of the option at the date it was granted is transferred from the share option reserve into retained earnings.

Where the Company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity.

When the Company issues options or warrants for services rendered by a non-employee they are measured at fair value of the services received.

Leases

Low value leases and leases of less than one year are recognised on a straight-line basis over the lease term. On inception of other leases, 'right-of-use' assets have been capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term discounted at an incremental borrowing rate.

2. Significant accounting policies (continued)

The Company's investments in subsidiaries

The Company recognises its investments in subsidiaries at cost less any impairment in its separate financial statements. Impairment is determined by assessing the recoverable amount of the investment. The recoverable amount has been assessed using a value in use model. The value in use calculation requires the entity to estimate the future cash flows expected to and a suitable discount rate in order to calculate present value. Where the recoverable amount is less than the carrying amount, an impairment loss is recognised in the Statement of Comprehensive Income.

New accounting standards and interpretations not yet adopted

For the purpose of the preparation of these consolidated financial statements, the Group has applied all standards and interpretations that are effective for accounting periods beginning on or after 1 April 2020. No new standards, amendments or interpretations to existing standards that have been published and that are mandatory for the Group's accounting periods beginning on or after 1 April 2021 or later periods, have been adopted early.

The new standards and interpretations are not expected to have any significant impact on the financial statements when applied.

3. Critical accounting judgements and key sources of estimation uncertainty

This section sets out the key areas of judgement and estimation that have the most significant effect on the amounts recognised in the consolidated Financial Statements.

a. Critical judgements in applying the Group's and the Company's accounting policies

Management has made the following key judgements around revenue recognition in applying the Group's accounting policies that have a significant effect on the consolidated Group Financial Statements.

i. Separable performance obligations

Judgements have been made around whether performance obligations are separable. For example, revenue relating to gateway hardware is recognised at the point that hardware is received by the customer. It may later be installed by the Company or by a third party. In the former case, the revenue for installation services is recognised as a separate performance obligation when the gateways are installed.

ii. All-inclusive pricing

Some customer contracts involve multiple performance obligations being bundled into one all-inclusive price. To allocate consideration between performance obligations, the Group must consider whether these performance obligations are separable as well as the standalone value of each performance obligation. The standalone values are calculated with reference to pricing on other comparable contracts and the internal pricing used when the contract was bid for.

b. Key sources of estimation uncertainty

Estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, including current and expected economic conditions. Although these estimates and associated assumptions are based on management's best knowledge of current events and circumstances, actual results may differ.

i. SMIP intangible carrying value

We have modelled expected net cash flows from Connode AB's UK SMIP contract over the lifetime of the contract and compared the net present value of these cashflows to the £4.1m carrying value of the related intangible asset at the end of March 2021. Sensitivities were run based on (i) Pre-tax discount rate of 18.7%; (ii) roll-out ceasing at the end of July 2025; and (iii) a range of 10% of UK households being in "not spots".

A useful economic life of 15 years has been assumed in line with the term of the associated support and maintenance contract.

ii. Goodwill impairment

The recoverable amount of the cash generating unit ("CGU") is derived from estimates of future cash flows and hence the goodwill impairment test is also subject to these key estimates. The results of these tests may then be verified by reference to external market valuation data. Further details on the goodwill balances and the assumptions used in determining the recoverable amounts are provided in note 15. Sensitivity to the assumptions is also found in this note.

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

iii. Inventory provision

Inventories include stocks of raw materials and finished goods that the directors believe will be sold within the period to December 2023 covered by the Group's business plan. Old stock items have been fully provided for at the year end. The directors have assumed that the carrying value is recoverable as a result of the sales and gross margins forecast in that plan. Stocks of product that are not included within the sales forecasts, or which will no longer be supported by the Group have been provided against in full.

iv. Debtor and intercompany receivable recoverability

The Group tracks its trade debtor ageing and cash collection on a contract-by-contract basis each month. A provision has been made for expected lifetime credit losses (see Note 21) based on the amount of bad debts in the last twelve months as a percentage of the total year end debtor balance in each country. The Group revise the estimate of the expected credit loss by looking at how current and future economic conditions impact the amount of loss on a forward-looking basis.

Increasing the provision for expected lifetime credit losses by 1% would increase the Group's operating loss by £42,000 (2020: £34,000)

An amount of £1,326,000 (2020: £658,000) which is over 90 days old is included in trade debtors, of which a provision of £398,000 has been provided for (2020: £82,000).

CyanConnode Ltd has a loan of £57,919,855 (2020: £57,245,613) with CyanConnode Holdings plc. As at 31 March 2021 a provision of impairment of the loan was provided in full at £57,919,855 (2020: £56,727,452). The Board has considered the provisions around impairment of inter-company indebtedness contained within IFRS9 "Financial Instruments".

v. Investments in subsidiaries

The company has made an investment in each of its subsidiaries. Impairment is determined by assessing the recoverable amount of the investment. The recoverable amount has been assessed using a value in use model. The value in use calculation requires the entity to estimate the future cash flows to and a suitable discount rate in order to calculate present value.

4. Revenue

An analysis of the Group's revenue is as follows:

	2021 £'000	2020 £'000
Continuing operations		
Hardware revenue - recognised at a point in time	5,187	1,721
Software licenses - recognised at a point in time	136	172
Revenue from non-recurring services - recognised at a point in time	807	-
Revenue from other services - recognised over time	307	558
Total revenue	6,437	2,451

5. Business and geographical segments

The Group has concluded that it operates only one business segment as defined by IFRS 8. The information used by the Group's chief operating decision maker to make decisions about the allocation of resources and assessing performance is presented on a consolidated Group basis. Accordingly, no segmental analysis is presented. For the future, the split of the business may be revised dependent upon geographical contract wins, centres of operations and the strategic direction taken as the Group's business develops further.

5. Business and geographical segments (continued)

During the period to end of March 2021 there were 3 customers (2020: 2) whose turnover accounted for more than 10% of the Group's total revenue as follows:

	2021		2020	
	Turnover £'000	Percentage of Total%	Turnover £'000	Percentage of Total%
Customer A	1,062	16	906	37
Customer B	3,815	59	80	3
Customer C	624	10	215	9
Customer D	361	6	553	23

Revenue split between Europe, India and other parts of the World was as follows

	2021		2020	
	Turnover £'000	Percentage of Total%	Turnover £'000	Percentage of Total%
India	5,302	82	1,055	43
Finland	-	-	553	23
Europe	-	-	391	16
Sweden	508	8	300	12
Thailand	624	10	-	-
Rest of World	3	-	152	6
	6,437	100	2,451	100

6. Other operating costs

	2021 £'000	2020 £'000
Staff costs	3,375	4,361
Research and development costs (excluding staff costs)	314	649
Rent and site costs	41	61
Office expenses	286	309
Marketing and advertising	104	211
Professional fees	328	409
Audit and accountancy	150	153
Bad debts	353	18
Impairment of inventory	108	4
Foreign exchange	(15)	267
Other	117	385
Amortisation and depreciation	627	773
Other operating costs	5,788	7,600

The total expenditure on research and development including staff costs in the period was £1,791,000 (2020: £2,381,000).

7. Auditor's remuneration

The analysis of auditor's remuneration, including associate firms, is as follows:

	2021 £'000	2020 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	43	43
Fees payable to the Company's auditor and its associates for other services to the Group		
- The audit of the Company's subsidiaries pursuant to legislation	35	42
Total audit fees	78	85

8. Employee information

The average monthly number of employees (including executive directors) was:

	2021 Number	2020 Number
Sales and administration	11	17
Research and development	23	22
Operations and logistics	13	11
	47	50

There are no employees in the parent company other than Directors, whom are remunerated by other group companies (2020: nil).

	2021 £'000	2020 £'000
Their aggregate remuneration comprised:		
Wages and salaries	3,021	3,691
Social security costs	184	281
Other pension costs	90	122
Share option charges	80	267
	3,375	4,361

At the year end there were employer's pension contributions provided for but not paid of £59,374 (2020: £61,474).

Key management compensation

The directors are of the opinion that key management personnel during the period comprised the Board of Directors. These persons had the authority and responsibility for planning, directing and controlling the activities of the Group. Remuneration of these personnel is detailed below.

	2021 £'000	2020 £'000
Their aggregate remuneration comprised:		
Wages, salaries and fees	532	664
Social security costs	24	49
Other pension costs	6	11
	562	724

Specific details of directors' remuneration and other information (including share-based compensation) are included in the Remuneration Committee Report within this Annual Report. Neither John Cronin nor Chris Jones are members of the Company pension scheme.

The highest paid Director received total remuneration of £308,600 (2018: £242,500). Please see page 31 for the details.

9. Finance income

	2021 £'000	2020 £'000
Interest revenue:		
Bank deposits	13	17

Investment revenue is all earned on cash and cash equivalents.

10. Finance expense

	2021 £'000	2020 £'000
Interest on bank overdrafts	2	4
Interest on loans	31	-
Interest on loan from Directors	18	-
Interest on lease liabilities	11	26
Total finance expense	62	30

11. Tax

	2021 £'000	2020 £'000
Current tax:		
UK corporation tax	(597)	(795)
Adjustments in respect of prior periods	20	(2)
Deferred tax (note 25)		
Changes in tax rates	-	(44)
Origination and reversal of timing differences	(100)	265
Total tax credit	(677)	(576)

11. Tax (continued)

	2021 £'000	2020 £'000
Loss on ordinary activities before tax	(2,734)	(6,243)
Tax on loss at standard corporation tax rate of 19% (2020: 19%)	(519)	(1,186)
Effects of:		
Expenses not deductible for tax purposes	14	419
Capital allowances in excess of depreciation	1	1
Capitalisation of R&D costs	(25)	-
Other short-term timing differences	-	3
Losses surrendered for R&D tax credit	783	1,042
R&D tax credit	(1,039)	(1,384)
Unrelieved tax losses not provided for	264	622
CyanConnode Pvt Ltd utilisation of losses b/fwd	(203)	-
Difference in tax rates	27	(91)
Adjustment in respect of prior period	20	(2)
Total tax credit for the period	(677)	(576)

Factors affecting tax charge in future years

The Finance Act 2020 provided for the main rate of UK corporation tax to remain at 19%, thus cancelling the enacted reduction to 17%. It was substantively enacted on 17 March 2020, and as such the unrecognised deferred asset at the balance sheet date has been calculated at 19%, reflecting the tax rate at which it may be utilised in future periods.

The Government announced in the spring Budget on 3 March 2021 that the rate of corporation tax will increase from April 2023 to 25% for companies with profits over £250,000. As at 31 March 2021 the legislation had not yet been substantively enacted and therefore the tax rate for the purpose of determining the deferred tax recognition rate for assets and liabilities expected to reverse in periods after 1 April 2023 was 19%. The impact of the change is therefore not recognized in these financial statements but would have increased the unprovided deferred tax asset by approximately £2.2m if it had been enacted before 31 March 2021. The impact will be reflected in the financial statements for the year ending 31 March 2022.

The Swedish tax rate reduced from 22% to 21.4% with effect from 1 January 2019, and will reduce to 20.6% from 1 January 2021, with the deferred tax being calculated at this lower rate, reflecting the time at which it may be utilised. The Indian effective tax rate of 34.61% reduced to 25.17% from 1 April 2019 and the deferred tax has been calculated at this rate.

12. Loss per share

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

	2021	2020
Loss for the purposes of basic loss per share being net loss attributable to equity holders of the parent (£'000)	(2,057)	(5,667)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share (excluding own shares held)	174,755,445	173,047,934
Loss per share (pence)	(1.18)	(3.27)

The weighted average number of shares and the loss for the year 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.

13. Intangible Assets (Group)

	Software £'000	Software Development £'000	SMIP Intangible £'000	Total £'000
Cost				
At 1 January 2019	144	-	6,100	6,244
Additions	-	36	-	36
At 31 March 2020	144	36	6,100	6,280
Additions	-	129	-	129
At 31 March 2021	**144**	**165**	**6,100**	**6,409**
Amortisation				
At 1 January 2019	144	-	1,052	1,196
Charge for the period	-	-	526	526
At 31 March 2020	144	-	1,578	1,722
Charge for year	-	-	421	421
At 31 March 2021	**144**	**-**	**1,999**	**2,143**
Carrying amount				
At 31 March 2021	**-**	**165**	**4,101**	**4,266**
At 31 March 2020	-	36	4,522	4,558

Smart Metering Implementation Programme ('SMIP') relates to a contract acquired with the Connode Group in 2016 to partner Toshiba and Telefonica in their SMETS2 rollout in the UK. CyanConnode's technology enables their communication hubs to work in areas of the UK that have no, or intermittent, mobile network coverage. The amortisation charge for the year is £421,000 (2020: £526,000). This is included in other operating costs. An impairment review of the intangibles assets has been undertaken in the year with no impairment arising. The process and significant assumptions are in line with the goodwill impairment review as outlined in note 3 b i..

14. Intangible assets (Company)

	Software £'000	Total £'000
Cost		
Balance at 1 April 2020 and 31 March 2021	144	144
Amortisation		
Balance at 1 April 2020 and 31 March 2021	144	144
Carrying amount		
At 1 April 2020 and 31 March 2021	-	-

15. Goodwill

	Group £'000
Cost at 1 April 2020 and 31 March 2021	1,930
Carrying amount at 31 March 2020 and 31 March 2021	1,930

Impairment testing

The Company tests goodwill annually or more frequently if there are indications that goodwill might be impaired. In accordance with IAS 36: "Impairment of assets" the Company values goodwill at the recoverable amount, being the higher of the value in use basis and the fair value less costs to sell basis. Note that goodwill has been allocated to a single cash generating unit for the purposes of this testing.

Value in use calculations have been used to determine the recoverable amount of goodwill. The calculations use the latest approved forecast extrapolated to perpetuity using growth rates shown below, which do not exceed the long-term growth rate for the relevant market. Based on impairment testing completed at the year end, no impairment was identified in respect of goodwill.

Significant assumptions and estimates

The following significant assumptions have been used:

- Pre-tax discount rate 18.7% (2020: 18.7%)
- Compound annual growth rate in revenue over next five years between 20% and 29% (2020: 20%).
- Growth rate in perpetuity 6.5% (2020: 5%), reflecting the rate of the countries to which the goodwill is associated

The Group applies sensitivity analyses to assess whether any reasonable possible changes in assumptions could cause an impairment that would be material to these Consolidated Financial Statements.

The key assumption in the impairment review is that compound annual revenue growth will be between 20% and 29% over the next five years with revenues beyond that period based upon a terminal growth rate of 6.5%. The 6.5% growth rate has been used to reflect the long-term growth rate for the Group's target markets including India (where forecast growth rates in perpetuity in the main countries in which the Group operates are expected to be higher at around 12.5% to 25% per annum). Using the above assumptions does not show a requirement for an impairment to goodwill, however a failure to achieve the expected revenue growth could make an impairment to goodwill possible.

Based upon this impairment review the recoverable amount exceeds its carrying amount by £29m (2020: £8.1m). The recoverable amount is most sensitive to changes in the sales growth. For example, a 5.5% reduction in the perpetual growth rate would reduce the terminal value by £19m.

16. Property, plant and equipment

Group	Fixtures and equipment £'000
Cost	
At 1 January 2019	332
Additions	20
At 31 March 2020	352
Additions	23
Disposal	(4)
At 31 March 2021	371

16. Property, plant and equipment (continued)

Group	Fixtures and equipment £'000
Accumulated Depreciation	
At 1 January 2019	259
Charge for the period	50
At 31 March 2020	309
Charge for the year	30
Depreciation on disposal	(4)
At 31 March 2021	335
Carrying Amount	
At 31 March 2021	36
At 31 March 2020	43

At 31 March 2021 the Group had no contractual commitments outstanding for the acquisition of property, plant and equipment (2020: £nil).

17. Leases

Right of use asset

Group	Building £'000
Cost	
Adoption of IFRS 16 at 1 January 2019	471
Additions	-
At 31 March 2020	471
Additions	-
At 31 March 2021	471
Accumulated Depreciation	
At 1 January 2019	-
Charge for the period	197
At 31 March 2020	197
Charge for the year	176
At 31 March 2021	373
Carrying Amount	
At 31 March 2021	98
At 31 March 2020	274

17. Leases (continued)

Lease liability movements in the year

	2021 £'000	2020 £'000
As at 1 April and 1 January	274	471
Payments	(187)	(223)
Interest	11	26
At 31 March	98	274

Lease liabilities

	2021 £'000	2020 £'000
Current	98	121
Non - Current	-	153
As at 31 March	98	274

Amounts recognised in Income Statement

	2021 £'000	2020 £'000
Depreciation	176	197
Interest	11	26
Period to 31 March	187	223
Expenses relating to leases of low-value assets that are not shown above as short-term lease in the year/period (included in other operating costs)	47	47

The Group leases its head office property on a term of 3 years. Payments of £187,538 were made against this lease during the year ended 31 March 2021.

All lease amounts are recognized where there is a reasonable certainty that the lease will be extended beyond its break point, the assumption is made that the lease will continue to the end of the lease term.

18. Subsidiaries

Investment in subsidiaries

	Company 2021 £'000	Company 2020 £'000
As at 1 April and 1 January	9,105	7,898
Capital contribution in respect of share-based payment	80	267
Investment in CyanConnode Pvt Ltd	-	940
As at 31 March	9,185	9,105

18. Subsidiaries (continued)

Movement in investment of subsidiaries

	Company 2021 £'000	Company 2020 £'000
Cost		
Cost at 1 April and 1 January	14,489	13,282
Addition	80	1,207
At 31 March	14,569	14,489
Impairment		
Impairment at 1 April and 1 January	(5,384)	(5,384)
Impairment in period	-	-
At 31 March	(5,384)	(5,384)
Carrying Amount at 31 March	9,185	9,105

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation. The ultimate holding Company of the Group is CyanConnode Holdings plc. The members of the Group, all of which are 100% owned are as follows:

CyanConnode Limited Merlin Place Milton Road Cambridge CB4 0DP	• 100% of the issued share capital of the Company is held by CyanConnode Holdings plc • The company is incorporated in England and Wales and has an accounting period ending 31 March • The principal activity of the Company is research and development, and to market and sell the Group's range of products
CyanConnode Private Limited B-41 Panchsheel Enclave New Dehli-110017 India	• 100% of the issued share capital of the Company is held by CyanConnode Holdings plc • The company is incorporated in India and has an accounting period ending 31 March • The principal activity of the Company is to market and sell the Group's range of products in India
Connode Holding AB Jarnvagsgatan 10 172 35 Sundbyberg Stockholm Sweden	• 100% of the issued share capital of the Company is held by CyanConnode Holdings plc • The company is incorporated in Sweden and has an accounting period ending 31 March • The principal activity of the Company is to act as a holding company
Connode AB Jarnvagsgatan 10 172 35 Sundbyberg Stockholm Sweden	• 100% of the issued share capital of the Company is held by Connode Holding AB • The company is incorporated in Sweden and has an accounting period ending 31 March • The principal activity of the Company is to market and sell the Group's range of products in the Nordic region

19. Other financial assets

	2021 £'000	2020 £'000
Bank securities	44	93

The Company held no bank securities at either balance sheet date.

20. Inventories

	2021 £'000	2020 £'000
Raw materials	294	298
Raw materials – provision	(147)	(147)
Raw materials – net realisable value	147	151
Finished goods – cost	687	701
Finished goods – provision	(623)	(544)
Finished goods – net realisable value	64	157
Inventories	211	308

Inventories are stated after provisions for impairment of £771,000 (2020: £691,000). £108,000 (2020: £4,000) of stock impairment charges were recognised in the year. There have been no impairment reversal (2020: £nil) in the year. The total cost of inventories expensed in the year amounted £3,265,000 (2020: £1,006,000).

The Company held no inventories at either balance sheet date.

21. Trade and other receivables

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade receivables	5,550	2,717	–	–
Allowance for expected credit losses	(435)	(82)		
	5,115	2,635	–	–
Contract assets	–	63	–	–
Other debtors	114	73	–	9
Employee Benefit Trust Loan	–	–	592	166
Prepayments	126	110	56	54
Amounts due from group undertakings	–	–	445	1,062
Trade and other receivables	5,355	2,881	1,093	1,291

CyanConnode Ltd has a loan of £57,919,855 (2020: £57,245,613) with CyanConnode Holdings plc with a current impairment provision of £57,919,855 (2020: £56,727,452).

21. Trade and other receivables (continued)

The Employee Benefit Trust (EBT) holds own shares issued. The original amount of the EBT loan was £3,015,135, of which based on a share price of 33.0 pence for 9,136,772 shares, During the year the fair value of the EBT loan has increased by £426,000 (2020: £724,000 impaired).

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

Trade receivables are non-interest bearing. Credit terms offered to customers vary upon the country of operation and type of goods and services provided. Credit terms are often aligned with the credit terms agreed between the meter manufacturer and the end customer. Hardware sales are normally invoiced on delivery and settled within 30 or 60 days. Software licenses and other services tend to have longer payment.

Loans to other group entities relates to amounts owed to CyanConnode Holdings plc by Connode Holding AB. This is considered recoverable because the Company received a cash repayment of £159,000 in the year and expecting future repayments as and when is required. This intercompany loan is unsecured and will be settled in cash. No guarantees have been given or received. For more information on loans to other group entities please see note 35.

Expected credit losses

The movement in the expected credit loss provision in the year was as follows:

	Group 2021 £'000	Group 2020 £'000
As at 1 January	(82)	(64)
Charge in the year	(353)	(18)
As at 31 March	(435)	(82)

Credit risk

At 31 March 2021 the Group had significant concentration of credit risk in two customers which represented 91% (2020: two customers 71%) of the Group's trade receivables. This reliance on two customers in the Indian smart electricity metering sector is included within our principal risks statement on pages 11 to 13 of this report.

Trade receivables

	2021 £'000	2020 £'000
Not yet due	3,430	521
30 – 59 days	454	10
60 – 89 days	340	1,528
Over 90 days	1,326	658
Total	5,550	2,717

Credit control procedures are implemented to ensure that sales are only made to organisations that are willing and able to pay for them. Such procedures include the establishment and review of customer credit limits and terms. The Group does not hold any collateral or any other credit enhancements over any of its trade receivables nor does it have legal right of offset against any amounts owed by the Group to the counterparty.

An amount of £1,326,000 (2020: £658,000) which is over 90 days old is included in trade receivables, of which a provision of £398,000 has been provided for (2020: £82,000).

22. Cash and cash equivalents

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Cash and cash equivalents	1,489	1,172	190	551

Cash and cash equivalents comprise cash held by the Group and Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

Barclays Bank plc have given a guarantee in respect of £10,000 to HMRC on behalf of CyanConnode Limited. As security for this guarantee, Barclays hold a legal charge over a deposit account held specifically for this purpose for £10,000. This cash cannot be used for any other purpose. Barclays Bank plc have granted a foreign exchange facility of £25,000.

23. Trade and other payables

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade payables	1,888	171	87	32
Other payables	147	36	5	6
Accruals	1,228	477	85	81
Social security and other taxes	327	138	-	-
Contract liabilities	379	669	-	-
	3,969	1,491	177	119

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs all of which are payable within a year.

Contract liabilities represent deferred revenue from ongoing contracts MEA Thailand and HMP Sweden, of which £221,000 is anticipated to unwind in financial year 2022, and the remainder over the next year or two. During the year revenue of £297,000 was recognised, which was part of the prior period contract liabilities closing balance.

The Group has financial risk management policies in place to ensure that all payables are paid within agreed credit timeframes. Neither the Group nor the Company has incurred interest charges for late payment of invoices during the year (2020: £nil). The average credit period taken for trade purchases is 30 days (2020: 20 days) due to significant purchases of meters for smart metering deployments in the year. The average credit period taken in 2021 for trade purchases by the Company was 34 days (2020: 34 days).

Trade payables

	2021 £'000	2020 £'000
Not yet due	1,079	59
30 – 59 days	720	14
60 – 89 days	89	65
Over 90 days	-	33
Total	1,888	171

The directors consider that the carrying amount of trade payables approximates to their fair value. Included in accruals is an amount of £59,374 relating to contributions to the Group's defined contribution pension plan (2020: £61,474).

24. Short-term borrowings

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Advance on R&D tax credit	385	560	385	560
Loan from Directors	400	-	400	-
Debt factoring	1,333	-	-	-
As at 31 March 2021	2,118	560	785	560

In December 2020, the Company accepted a loan of £400,000 (2020: £nil) from two Directors (2020: nil) in assisting with working capital. The loan is repayable on or before 31 October 2021, interest is charged at 13.5% per annum.

In March 2021, the Company received an advance loan for £385,000 (2020: £560,000) against its R&D tax credit. This loan will be repaid to the lender out of the funds received from HMRC for the Group's R&D tax credit. These funds are expected to be received from HMRC by October 2021. The loan is secured against the R&D tax credit and bears an interest rate of 13.5% per annum. The details of interest charges for the year can be found in note 10.

The Group has entered a debt factoring facility with HDFC bank in India which is secured against Letters of Credit provided by a customer for deliveries of Omnimesh modules. As at the year end a balance of £1,333,000 (2020: £nil) was owing to the bank. The facility bore interest at 9.25% per annum at year end. This has since been renegotiated to 8.3%.

Connode AB has an overdraft facility for SEK 2 million (£167k) secured against the assets of Connode AB. The balance on this facility was £nil at 31 March 2021 (2020: £nil).

25. Deferred tax

This relates primarily to a deferred tax liability recognised on the acquisition of the intangible assets relating to the Connode acquisition, and amortisation relating thereto.

	2021 £'000	2020 £'000
At 1 January and 1 April	912	690
Movement during the year (note 11)	(100)	222
At 31 March	812	912

	2021 £'000	2020 £'000
Intangibles deferred tax	845	932
Deferred tax asset – Swedish losses	(33)	(20)
Total recognised deferred tax liability	812	912

25. Deferred tax (continued)

Unrecognised deferred tax asset

	2021 £'000	2020 £'000
Accelerated capital allowances	(3)	(2)
Short term timing differences	(11)	(5)
R&D intangible	31	-
Losses	(7,524)	(7,457)
Total unrecognised deferred tax asset	(7,507)	(7,464)

The deferred tax asset has not been recognised due to the unpredictability and uncertainty of future profit streams.

26. Share capital

Issued and fully paid, ordinary shares of 2.0 pence each	No	£'000
As at 31 December 2018	182,398,523	3,648
Issue of new shares	400,000	8
As at 31 March 2020	182,798,523	3,656
Issue of new shares	3,944,375	79
As at 31 March 2021	186,742,898	3,735

In the year, shares were issued at prevailing market prices as settlement for professional services provided. £118,700 was raised this way during the year (2020: £40,000).

No shares were issued as a result of the exercise of share options (2020: none). The Company has one class of ordinary share which carries no right to fixed income.

27. Share premium account

Amount subscribed for share capital in excess of nominal value.

28. Own shares held

	Group £'000	Company £'000
Balance at 31 March 2020 and 31 March 2021 (9,467,256 ordinary shares of 2.0 pence per share)	(3,253)	-

Own shares held are those issued to the Employee Benefit Trust.

29. Share option reserve

Represents the accumulated balance of share-based payment charges recognised in respect of share options granted by the Company less transfers to accumulated deficit in respect of options exercised or cancelled/lapsed.

30. Translation reserve

The translation reserve records the cumulative exchange differences arising from the translation of the financial statements of overseas subsidiaries

31. Retained losses

Cumulative net gains and losses recognised in the Consolidated Statement of Comprehensive Income.

32. Reconciliation of operating loss to net cashflow from operating activities

Group	2021 £'000	2020 £'000
Operating loss for the year:	(2,685)	(6,230)
Adjustments for:		
Depreciation of property, plant and equipment	30	50
Amortisation of Intangible assets intangible	421	526
Depreciation on right of use assets	176	197
Foreign exchange	(15)	59
Shares issued in lieu of bonus	119	-
Share-option payment expense	80	267
Operating cash flows before movements in working capital	(1,874)	(5,131)
Decrease in inventories	97	11
(Increase)/decrease in receivables	(2,474)	1,124
Increase/(decrease) in payables	2,468	(503)
Cash reduction from operating activities	(1,783)	(4,499)
Income taxes received	795	822
Net cash outflow from operating activities	(988)	(3,677)

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with maturity of three months or less.

33. Share based payments

Equity-settled share option scheme

The Company has a share option scheme for all employees of the Group. EMI and unapproved options are exercisable at a price equal to, or at a premium to, the average quoted market price of all the Company's shares on the date of grant. The vesting period is typically 3-4 years and the options have a life of 10 years. If the options remain unexercised after the period of 10 years from the date of grant, they will expire. Options are forfeited if the employee leaves the Group before they vest.

33. Share based payments (continued)

The Company also has a Joint Share Ownership Plan ("JSOP") under which shares are granted to certain directors and senior employees of the Company. Shares issued under the JSOP are issued at a premium to the quoted market price at the time of issue. They typically have vesting periods up to 3 years and a life of 5 years. Further information on shares issued under the JSOP can be found in the Directors' Remuneration Report on page 29.

Details of the share options outstanding during the period were as follows:

	2021		2020	
	Number of share options	Weighted average Exercise price (in £)	Number of share options	Weighted average Exercise price (in £)
Outstanding at beginning of period	21,013,514	0.35	21,357,791	0.33
Granted during period	5,448,965	0.10	3,096,035	0.12
Forfeited during period	(2,061,993)	0.14	(3,440,312)	0.46
Outstanding at the end of the period	24,400,486	0.22	21,013,514	0.35
Exercisable at the end of the period	8,837,704	0.10	11,998,392	0.57

The options outstanding at 31 March 2021 had a weighted average exercise price of £0.22 (2020: £0.37) and a weighted average remaining contractual life of 72months (2020: 77) months.

In the year to 31 March 2021, options were granted on 22 and 28 September 2020, 8 and 20 January 2021. The aggregate of the estimated fair value of those options is £262,453.

In the period to 31 March 2020, options were granted on 4 April 2019. The aggregate of the estimated fair values of those options is £60,603.

A share option charge of £80,245 (2020: £267,000) was recognised during the period.

The inputs into the Black-Scholes model for options granted during the period (EMI, unapproved and JSOP shares) are as follows:

	2021	2020	2018
Weighted average share price	10.00p	6.45p	10.83p
Weighted average exercise price	10.00p	12.00p	19.00p
Expected volatility	80%	66%	65%
Expected life	6 years	4 years	4 years
Risk free rate	0.1%	0.5%	0.5%
Expected dividend yield	0%	0%	0%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 72 months. The expected life used in the model is the time from the grant date to the expected exercise date. The life of the options is dependent on the expiration date, volatility of the underlying shares and vesting features.

Warrants

The Company issues share warrants, either in connection with the issue of equity or for the service received from third parties. Warrants are issued at a fixed price and for a fixed number of shares, such that each warrant entitles the holder to subscribe for one Ordinary Share in the Company. All share warrants vest immediately on issue.

33. Share based payments (continued)

Details of the share warrants outstanding during the year are the same for 2021 as for 2020:

	2021		2020	
	Number of warrants	Weighted average Exercise price (in £)	Number of warrants	Weighted average Exercise price (in £)
Outstanding at beginning of period	341,605	0.54	341,605	0.54
Outstanding at the end of the period	341,605	0.54	341,605	0.54
Exercisable at the end of the period	341,605	0.54	341,605	0.54

The inputs into the Black-Scholes model are as follows:	
Weighted average share price	32.78p
Weighted average exercise price	54.0p
Expected volatility	65%
Expected life	10 years
Risk free rate	0.5%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 36 months. The expected life used in the model has been adjusted, based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations.

34. Financial instruments and risk management

The table below sets out the Company's accounting classification of each category of financial assets and liabilities and their carrying values:

	Group		Company	
As at end of period	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Financial assets				
Classified as amortised cost				
Trade receivables	5,115	2,635	-	-
Intercompany receivables	-	-	445	1,062
Other debtors	114	73	592	166
Contract assets	-	63	-	-
Cash and cash equivalents	1,489	1,172	190	551
Total financial assets	6,718	3,943	1,227	1,779
Financial liabilities				
Classified as amortised cost				
Trade payables	1,888	171	87	32
Other payables	147	36	5	59
Short-term borrowings	2,118	560	785	560
Lease liabilities	98	274	-	-
Total financial liabilities	4,251	1,041	877	651

34. Financial instruments and risk management (continued)

The Directors consider that the financial assets and liabilities have fair values not materially different to carrying values.

The following are the remaining contractual maturities of financial liabilities at the year end. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

As at 31 March 2021

	Carrying Amount £'000	Contractual Cash Flows Total £'000	1 – 12 months £'000	1 – 2 years £'000	2 – 5 years £'000
Non-derivative financial liabilities					
Trade payables	**1,888**	**(1,888)**	(1,888)	-	-
Other payables	**147**	**(147)**	(147)	-	-
Short-term borrowing	**2,118**	**(2,171)**	(2,171)	-	-
Lease liabilities	**98**	**(99)**	(99)	-	-
Total	**4,251**	**(4,305)**	(4,305)	-	-

As at 31 March 2020

	Carrying Amount £'000	Contractual Cash Flows Total £'000	1 – 12 months £'000	1 – 2 years £'000	2 – 5 years £'000
Non-derivative financial liabilities					
Trade payables	**171**	**(171)**	(171)	-	-
Other payables	**36**	**(36)**	(36)	-	-
Short-term borrowing	**560**	**(598)**	(598)	-	-
Lease liabilities	**274**	**(286)**	(187)	(99)	-
Total	**1,041**	**(1,091)**	(992)	(99)	-

Risk management

The Company's financial function provides services to the business, monitors and manages the financial risks relating to the operations of the Group. The main types of risk are outlined below. The Group does not enter into or trade financial instruments, including derivative financial instruments, for any purpose.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables and cash, the credit risk on other classes of financial asset is insignificant. The Group's credit risk on cash and cash equivalents was limited because the majority of its liquid resources are held with mainstream financial institutions which have good credit ratings. The Group's credit risk was therefore primarily attributable to its trade receivables. Note 21 provides further details regarding the recovery of trade receivables.

The Company has made a provision against the amount of the debt owed to it by its subsidiary company CyanConnode Limited totalling £57,919,855 (2020: £56,727,452). In addition, the Company has made a total provision of £2,423,135 (2020: £2,849,135) against the debt owed to it by CyanConnode Employees Benefit Trust which is held with Zedra and relates to the loan for the EBT shares, to bring the loan in line with market value of the shares held in the Trust. These amounts are not overdue. The EBT loan is a five-year agreement from October 2017. Since the Group holds no collateral, the maximum exposure to credit risk is the carrying value of trade receivables.

34. Financial instruments and risk management (continued)

Capital risk

Details relating to capital risk and capital risk management are set out in the capital structure section in the Directors' Report on page 34 of this report.

Liquidity risk

Liquidity risk of the Group is attributable to the sales level at the current business development stage not being able to generate sufficient cash flows to support required working capital. It is also attributable to the company not being able to raise sufficient funding. The Group manages liquidity risk by maintaining adequate reserves and banking facilities and continuously monitoring forecast and actual cash flows.

Market risk

We operate primarily in the smart electricity metering sector in India, Scandinavia and the UK. Therefore, we are exposed to changes in market growth rates in this sector as well as macro-economic and political risk in these countries. We are currently expanding operations both in terms of industry sector and geographic reach. This will help to diversify away this market risk. At present, the market we are in continues to grow rapidly in line with industry forecasts.

Currency risk

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates as it undertakes certain transactions denominated in foreign currencies. It is also exposed to the financial risks of changes in foreign currency exchange rates as subsidiaries' primary accounting records are held in foreign currencies (INR and SEK). The risk is managed through careful control of the Group's foreign currency balances.

The table below is showing assets and liabilities from the overseas group companies which have been converted to Sterling at the 31 March 2021 exchange rate.

	INR £'000	SEK £'000
Fixed assets	16	422
Current assets	7,059	82
Current liabilities	(4,466)	(59)
Net assets	(2,609)	445

Foreign currency sensitivity analysis

Currency risks are defined by IFRS 7: "Financial Instruments: Disclosures" as the risk that the fair value or future cash flows of a financial asset or liability will fluctuate because of changes in foreign exchange rates.

The following table details the transactional impact of hypothetical changes in foreign exchange rates on financial assets and liabilities at the balance sheet date, illustrating the increase/(decrease) in Group operating profit caused by a 10% strengthening of the Indian Rupee and Swedish Krona against Sterling compared to the year-end spot rate. The analysis assumes that all other variables (in particular, other foreign currency exchange rates) remain constant.

Year ended	March 2021 £'000	March 2020 £'000
Indian Rupee	702	230
Swedish Krona	15	144

The following table details the impact of hypothetical changes in foreign exchange rates on financial assets and liabilities at the balance sheet date, illustrating the increase/(decrease) in Group equity cause by a 10% weakening of the Indian Rupee and Swedish Krona against Sterling. The analysis assumes that all other variables (in particular, other foreign currency exchange rates) remain constant.

34. Financial instruments and risk management (continued)

Year ended	March 2021 £'000	March 2020 £'000
Indian Rupee	(374)	(188)
Swedish Krona	(41)	(118)

Fair value of financial instruments

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group has documented internal policies for determining fair value, including methodologies used to establish valuation adjustments required for credit risk.

35. Related Party Transactions

Board members

Please refer to page 35 of the Directors' Report for a full list of directors who served in the period. During the year, 3,031,998 newly issued shares were purchased by the directors of the Company for £156,500 (2020: nil shares).

During the year, the Company paid fees of £157,500 (2020: £205,000) in respect of services provided by directors. The balance outstanding at the year end was £39,640 (2020: £nil). Please see page 31 for the Directors' Remuneration Report for further information.

During the year, the Company accepted a loan of £400,000 (2020: nil) from two Directors (2020: nil) in assisting with working capital. The loan is repayable on or before 31 October 2021, interest is charged at 13.5% per annum. During the year interest of £18,000 (2020: nil) was incurred and a balance of £3,375 (2020: nil) was outstanding at the year end.

Transactions between parent company and subsidiaries

Year end balances outstanding and transactions in the year between the parent company and its subsidiaries are disclosed below.

	Connode Holding AB £'000	CyanConnode Limited £'000	CyanConnode Pvt Limited £'000
Loans to related parties			
Balance as at 31 March 2020	540	519	4
Cash advances/(repayments)	(122)	673	-
Impairment provision	-	(1,192)	-
Loss on revaluation	23	-	-
Balance as at 31 March 2021	441	-	4

CyanConnode Holdings plc makes a management charge for services rendered to CyanConnode Limited. In the year to 31 March 2021 these amounted to £137,000 (2020: £510,000).

36. Post Balance Sheet Events Review

On 3 June 2021 CyanConnode Holdings plc raised £3.15 million (before expenses of approximately £180,000) through a placing of 27,196,395 ordinary shares of 2.0 pence each and a subscription for 5,973,681 New Ordinary Shares.

FINANCIAL STATEMENTS

Professional Advisers

Nominated Adviser and Broker
Arden Partners plc
125 Old Broad Street
London
EC2N 1AR

Auditor
RSM UK Audit LLP
City House
126-130 Hills Road
Cambridge
CB2 1RE

Solicitors to the Company
Trowers & Hamlins LLP
3 Bunhill Row
London
EC1Y 8YZ

Registrars
Share Registrars Ltd
The Courtyard
17 West Street
Farnham
GU9 7DR

Patent Attorneys
Beresford & Co
16 High Holborn
London
WC1V 6BX

Principal Banker
Barclays Bank plc
Chesterton Branch
28 Chesterton Road
Cambridge
CB4 3AZ

DESIGNED AND PRINTED BY PERIVAN

CYANCONNODE

CyanConnode
Merlin Place, Milton Road
Cambridge CB4 0DP

CYANCONNODE.COM