CYANCONNODE

ANNUAL REPORT AND ACCOUNTS **2022**

CYANCONNODE AT A GLANCE

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

Revenue growth continues with an increase of 49% against 2021.

Financial highlights

- Increase of 49% in revenue to £9.6 million in 2022 from £6.4 million in 2021, the highest annual revenue for the Group to date
- Increase of 61% in gross profit to £5.0 million in 2022 from £3.1 million in 2021
- Decrease of 62% in operating loss to £1.0 million in 2022 from £2.7 million in 2021 as the Group moves towards profitability
- Adjusted EBITDA profit of £0.1 million in 2022 compared to a loss of £1.9 million in 2021
- Increase of 58% in cash position from £1.5 million in 2021 to £2.4 million in 2022

Operational highlights

- 612,000 Omnimesh Radio Frequency (RF) Modules shipped against current contracts during the period (FY21: 481,000)
- 152,000 Omnimesh RF Modules ordered for a new customer in northern India
- 31,000 Omnimesh RF Modules for a follow-on order for the MEA (Metropolitan Electricity Authority Smart Grid Project in) Thailand
- 100,000 Omnimesh RF Modules ordered for a new customer in Africa
- Two oversubscribed placings completed, raising £5.15 million before expenses
- Award of London Stock Exchange Green Economy Mark
- Winner of the Frost and Sullivan Global Smart Metering Technology Innovation Leadership Award

Post-Period Highlights

- 1,000,000 Omnimesh RF Modules and associated products ordered from Genus Power Infrastructure Limited (Genus)
- Two orders won from IntelliSmart Infrastructure Pvt Ltd (IntelliSmart) for a total of 300,000 Omnimesh RF Modules and associated products
- New order worth USD 6.7 million won from Middle East and North Africa (MENA) for NB-IoT gateways
- Further new order worth USD 2.5 million won from MENA for Cellular gateways
- £2.6 million cash received from customers
- Omnimesh integration underway with a further nine meter models
- Revamped Distribution Sector Scheme (RDSS) approved by the Government of India to help Distribution Companies (DISCOMS) to improve their operational efficiencies
- Following an initial delay in the empanelment process, DISCOMS approved to release tenders under the RDSS Scheme in August 2022

Chairman's Statement

"We were delighted with the record results achieved during the financial year and the continued momentum post year end. In particular winning orders in India for 1.3 million units and 2 orders in the MENA region worth $10 million"

John Cronin
Executive Chairman

Operational Review

India

The union budget of 2020-21 paved the way for the replacement of 250 million conventional electricity meters with smart meters by 2025. The Revamped Distribution Sector Scheme (RDSS) was announced at the union budget of 2021-22, where in the first phase 100 million smart meters are to be installed by December 2023, with the remainder by March 2025.

The Ministry of Power, Government of India (GOI), also produced a revised Standard Bidding Document (SBD) and a contract agreement that can be directly adopted by utilities for rolling out the smart metering programme. These steps have acted as a catalyst in spurring forward the smart metering program in India and as a result the scale of tenders has increased significantly.

During the period, CyanConnode won two new orders, the first one was for 151,740 Omnimesh RF Modules for Himachal Pradesh State Electricity Board (HPSEB), marking an entry for CyanConnode into the hilly regions of the country. The majority of the modules were dispatched during the period and deployment is expected to be completed in FY23.

The second order was for 1,000 Omnimesh RF Modules from IntelliSmart for the state of Assam. This was the first order from IntelliSmart, and was a precursor to two larger orders which have been won during FY23 bringing the total orders for this project to 301,000 Omnimesh RF Modules. IntelliSmart is also the first service provider to use the Design, Build, Finance, Own, Operate, Transfer (DBFOOT) model and it has also installed the first smart prepaid meter in India under the RDSS.

Key highlights for CyanConnode India for the financial year ended March 2022 are set out below:

- CyanConnode India delivered record annual revenue and cash collection.
- >562,000 Omnimesh RF Modules and 3,907 Omnimesh Gateways were supplied.
- >600,000 Omnimesh RF Modules and 3,752 Omnimesh Gateways were commissioned.
- CyanConnode is now the largest and most experienced supplier of RF smart mesh networks in India.
- Dedicated space for CyanConnode in the Virtual Smart Grid Knowledge Centre (SGKC) facilitated by National Smart Grid Mission and Power Grid Corporation of India, Ltd. SGKC is a Knowledge Centre platform, set up by the Ministry of Power GOI, to demonstrate excellence in Smart Grid (see: http://sgkc.powergrid.in/cyanconnode.php)
- Integration with two further meter manufacturers (Avon Meters and Linkwell) were recommenced, which will result in Omnimesh Modules being compatible with the five leading meter manufacturers in India.
- Cyber security certification completed on CyanConnode Head End System (HES) (CERT-IN certified).

CHAIRMAN'S STATEMENT

APAC and Middle East North Africa

The smart metering market in the Asia Pacific (APAC) and Middle East North Africa (MENA) region has continued to mature and presents a significant opportunity for CyanConnode.

During the year the Group has continued with the deployment of the order won in 2019 for the Metropolitan Electricity Authority (MEA), a Thai state enterprise under the Ministry of Interior. The initial order was for 33,000 Omnimesh RF Modules and associated products, placed on the Group by its Agent and Partner, The JST Group (JST), and Forth Corporation Public Company Limited (Forth). In March 2020, a further 206,000 Omnimesh licenses were ordered allowing MEA to connect a total of 240,000 meters to the Omnimesh Head End System (HES). All Omnimesh modules and gateways were delivered during FY21. During FY22 a follow-on order was received for a further 31,000 Omnimesh RF Modules and associated products.

In August 2021, the Group announced an order for 100,000 Omnimesh RF Modules together with Advanced Metering Infrastructure, Services, Omnimesh Head-End Software, Perpetual License and an Annual Maintenance Contract from a new customer for a smart metering deployment in Africa.

Shortly after the financial year end, the Group announced an order for a smart metering deployment in the MENA region. Under the contract CyanConnode will supply 65,000 interoperable smart NB-IoT gateways to Esyasoft Technologies, UAE. The NB-IoT gateways will communicate with and control all existing smart meters for both electricity and water; the gateways will have the capacity to connect up to one million smart meters.

Europe

In April 2019, a follow-on order worth £0.7m was received from HM Power (HMP), for smart metering of district heating and power, which further demonstrates the flexibility of CyanConnode’s standards-based Omnimesh products. The order also includes the newly introduced Omnimesh Long-Range RF Module that has a range of up to 12km, which thereby increases the resilience of the RF Smart Mesh Network in rural areas. Delivery of the Omnimesh Long-Range RF Modules commenced in Q4 2019 with 41,000 modules being delivered during the year. 90,000 modules have been delivered to date.

The UK Government requires UK energy suppliers to rollout approximately 53 million smart meters to their customers before the end of 2025. To date, 21.7 million smart meters have been installed and connected to the digital highway operated by the Data Communications Company (DCC). CyanConnode has a contract to provide software licenses and support for its Radio Frequency (RF) Smart Mesh Networks, which will be deployed in areas where there is an unreliable or weak cellular signal, and it believes that the deployment of its technology will gain momentum during the latter stages of the rollout.

Fundraisings

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.

In March 2022, CyanConnode completed a further oversubscribed placing and subscription, raising £2 million before expenses at a price of 14 pence per share.

The net proceeds of the Placings and the Subscriptions are being 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.

CHAIRMAN'S STATEMENT

Awards

During the year the Group was the recipient of four awards and classifications, as follows;

- August 2021, CyanConnode was awarded the Green Economy Classification & Mark by the London Stock Exchange. This classification, first introduced in 2019, was created to highlight companies and investment funds listed on all segments of London Stock Exchange's Main Market and AIM that are driving the global green economy. To qualify for the Green Economy Mark, companies and funds must generate 50% or more of their total annual revenues from products and services that contribute to the global green economy.
- September 2021, CyanConnode won the 2021 Frost & Sullivan Global Smart Metering Technology Innovation Leadership Award. Frost & Sullivan was impressed with CyanConnode's innovation in the smart meter industry and recognised that it has grown from a regional European pioneer into a global leader.
- November 2021, CyanConnode won the Cambridge Wireless Best Connector Business" Award. This award recognises teams or businesses that are deploying wireless technology to improve products, increase operational efficiency or bring other benefits. The award celebrates impactful applications of wireless technology. CyanConnode was recognised for their success in bringing smart metering technologies to market.
- March 2022, CyanConnode won the Megabuyte Fastest Growing Company award.

Outlook

Since the period end, CyanConnode has won five orders, including the largest-ever order from India. They were as follows;

- April 2022, an order for a smart metering deployment in the MENA region. Under this contract CyanConnode will supply 65,000 interoperable smart NB-IoT gateways to Esyasoft Technologies, UAE. The NB-IoT gateways will communicate with and control all existing smart meters for both electricity and water; the gateways will have the capacity to connect up to one million smart meters.
- May 2022, an order for 100,000 Omnimesh RF Modules together with advanced metering infrastructure, standards-based hardware, services, Omnimesh head-end software, perpetual license and an annual maintenance contract, for a smart metering project in Assam. This order was received from IntelliSmart, who were the first service provider to use the DBFOOT model and also installed the first smart prepaid meter in India under the RDSS (Revamped Distribution Sector Scheme).
- June 2022, CyanConnode announced a further order from Intellismart for the same project for 200,000 Omnimesh RF Modules together with advanced metering infrastructure, standards-based hardware, services, Omnimesh head-end software, perpetual license, and annual maintenance contract.
- August 2022, an order was announced for Cellular Gateways to provide smart communications for an Advanced Metering Infrastructure project located in the MENA region. This order, worth USD 2.5 million, was for a new cellular product to be fitted to existing electricity meters.
- August 2022, the Group was delighted to announce that its subsidiary, CyanConnode India Pvt Ltd, won its largest-ever order. The Order was for one million Omnimesh Modules, together with Advanced Metering Infrastructure, Standards-Based Hardware, Omnimesh Head-End Software, Perpetual License and a Support and Maintenance Contract.

In addition, CyanConnode's business has continued on its growth path and is currently integrating with a further nine meter models, giving access to a larger number of opportunities.

In India the market has continued to move forward with its plans to implement 250 million smart meters. In August 2022, the Government of India approved the Revamped Distribution Sector Scheme (RDSS) to help DISCOMs improve their operational efficiencies and financial sustainability by providing result-linked financial assistance to DISCOMs to strengthen supply infrastructure. The scheme has an outlay of Rs 3,03,758 Crore (£30 billion) over 5 years. In addition, following an initial delay in the empanelment process, DISCOMS were approved to release tenders under the RDSS Scheme in August 2022. Eight companies are currently empanelled.

I would once again like to thank all shareholders for their ongoing support during what has been our most successful year to date. We look forward to further order announcements during this financial year as the Indian smart metering market continues to mature, and to delivering the backlog of orders won in current and previous periods.

John Cronin
Executive Chairman

22 August 2022

STRATEGIC REPORT

Strategic Report

The Omnimesh platform is agnostic, connecting any device in the neighbourhood network, whilst also offering a hybrid solution by giving access to multiple communication technologies.

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 two 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 leverage 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, the company also now has, within its portfolio, full capabilities for cellular 2G to 5G, including NB-IoT, and powerline communications. All of these communications technologies can be connected to the same head-end system (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

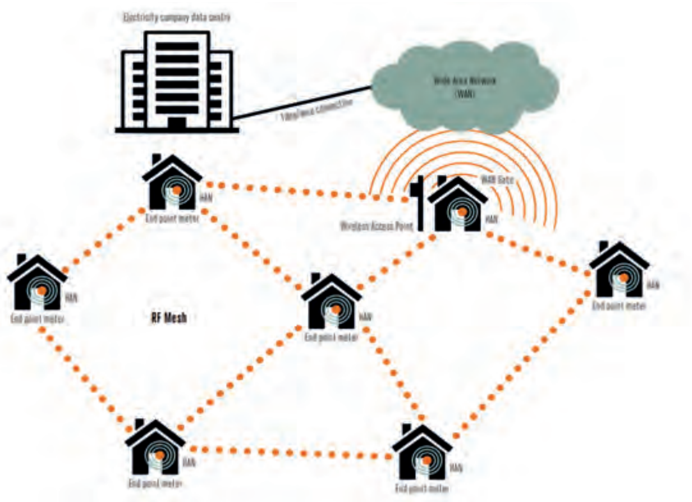
Narrowband RF mesh technology uses lower bandwidth radio frequencies (sub-GHz). These frequencies give better range and coverage than higher frequencies. The Omnimesh RF platform is an open standards-based (IPv6, 6LoWPAN) network solution that provides long-range and reliable communication between devices – 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.

Figure 1: CyanConnode RF Mesh Configuration

Source: Company data



STRATEGIC REPORT

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 and 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, to 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 "net-zero" emissions by 2050.

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.

The Global Smart Electricity Meters Market Report 2022, produced by Research & Markets (R&Ms), states that the global market for smart electricity meters was estimated at US$10.5 Billion in 2020, and is projected to reach US$15.2 Billion by 2026, growing at a CAGR of 6.7% over the analysis period.

R&M's report also notes utilities are aiming to modernise their grid operations with advanced solutions, and that smart electricity meters have emerged as an effective tool that can flawlessly address their various energy transmission and distribution losses in a simple and flexible manner.

s172 Statement

Understanding the needs of stakeholders is fundamental to the success of the Group. By understanding the perspectives of all its stakeholders, the Board is able to ensure that it can best promote the success of the Company, fully aware of its impacts on them, on the environment and ultimately, therefore, in the best interests of its members as a whole. In the event that a decision had to be made that not all stakeholder groups may have found favourable, steps would be taken to mitigate any negative impacts as far as possible, and to communicate the reasons for such decisions to all stakeholders.

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.

At an operational level, engagement with stakeholders is reported to the Board via the Executive Directors and through written and verbal reports from the Group Leadership Team.

Section 172 of the Companies Act 2006 requires Directors to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard, amongst other matters, to:

A. The likely consequences of any decision in the long-term

   A practical example of consideration of the long-term consequences of Board decisions can be found on pages 9 and 11.

B. The interests of the Group's employees

   The Strategic report sets out the Group's policy towards employees and how it engages with them in greater detail on pages 9 and 16-17. 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.

C. The need to foster the Company's business relationships with suppliers, customers and others

   See pages 9 to 10.

D. The impact of the Group's operations on the community and the environment

   We are committed to making a positive contribution to the communities in which we operate, including supporting the local community, maintaining good relationships within the community and providing employment opportunities.

   We are an active member of the Cambridge Network which provides excellent opportunities for sharing information and best practice in the Cambridge area. We also engage with Cambridge Wireless, and during the year won the Cambridge Wireless Best Connector Business Award.

   We are also engaging with Cambridge University Computer Science and Engineering departments with the aim of providing graduate and/or internship opportunities.

   The Group's focus on the environment is discussed in the ESG Report from page 11.

E. The desirability of the Company maintaining a reputation for high standards of business conduct

   Examples of this principal are set out throughout this Strategic Report, particularly in the ESG Report from page 11. The Group strives to maintain a reputation for the highest standards of business conduct. Its adoption of the QCA Corporate Governance Code provides the oversight and context for how it achieves that and its procedures to monitor compliance with the Bribery Act helps to ensure it achieves these high standards.

F. The need to act fairly between members of the Company

   See pages 9 to 10 for examples of how the Group achieves this standard. The Directors recognise the need to act fairly between members of the Company. Wherever a conflict or potential conflict arises, the Board takes independent legal and professional advice to ensure that members are treated fairly.

STRATEGIC REPORT

Covid-19

Throughout the pandemic our Group Leadership Team and operational teams regularly updated our key stakeholders regarding the actions we were taking and how they might be affected. We maintained close contact with our suppliers to ensure continuity of supply to our customers, many of whom continued to experience increased consumer demand. We also maintained close contact with our customers and end customers to ensure continuity of deployment of our projects.

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.

The Board provided information to shareholders on the performance of the business and the effect of the pandemic in our trading updates, interim and full year results and at subsequent investor presentations, as well as on a one-to-one basis as requested.

The following pages set out those we consider to be our key stakeholders and provides examples of how we have engaged with them during the course of the year.

Employees

- **Why we engage**
  Our employees are essential to the success of our business; our culture and our commitment to our purpose and values drives our business performance. We engage with our people regularly and seek to create an environment in which all staff feel happy and supported. Further details on our culture can be found on page 11.

- **How we engaged**
  Our culture is supported by maintaining an open and active dialogue across the business. Direct engagement took place through 'town hall' type sessions led by the Executive Chairman and the Chief Financial Officer, where updates were provided on the business (information on customer wins, financial results and strategy) and Covid-19. Employees were encouraged to ask questions on the business and any other matters.

  Indirect engagement was often held virtually due to the pandemic, with updates provided to the Board. Regular discussions were held with employees regarding views on remote working and returning to the office.

- **Outcomes and actions**
  The Group adapted its working practices based on employee feedback, particularly with regard to its return to office working policy.

Shareholders

- **Why we engage**
  Shareholder views inform our decision-making and engagement enables us to explain our strategic goals; it is important that all shareholders have confidence in our business and how it is managed, whether they are institutional investors, private individuals or employee shareholders.

- **How we engaged**
  The Executive Directors engaged with both institutional and private investors to present trading updates and financial results, as well as updates on business and to obtain feedback, which is important to the Board. Regular, more informal communication from investors also provides feedback to the Board, for example emails received from shareholders. In 2020 and 2021 no AGM was held due to COVID-19 guidance, however investor webinars were held on a platform which allowed shareholders to attend and ask questions and pass comments before and during the webinars. 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. The Group intends to revert to these practises from 2022.

  The Executive Directors also engaged actively with analysts who write research on our Company and industry. This provides shareholders with additional information on the business and business model.

- **Outcomes and actions**
  An example of how the Board sought feedback from shareholders was in determining the most appropriate form of funding acceptable to shareholders in June 2021, following which the Group undertook a heavily oversubscribed placing. Following further engagement the Group undertook a further oversubscribed placing in March 2022. Discussions with shareholders also identified what other key topics were important to the Group's shareholders.

Customers

- **Why we engage**
  It is important that we understand all of our customers' requirements to allow us to deliver the products and services they need and maintain a good and open relationship. Their feedback and support is crucial to the success of our business.
- **How we engaged**
  The Board engages both directly and indirectly with customers at an operational level through members of the Group Leadership Team and their teams. The majority of the Group's customers are in India where the largest part of the Group's business is. The Executive Directors visited India in April, September and November 2021 and March 2022 to engage with customers. It also listened to customers and their needs through key account management relationships, as well as working directly with relevant customer departments on technical, regulatory and logistics matters of concern to them.
- **What we discussed**
  Key topics of engagement were:
  - The impact of Covid-19 on lead times and potential delays to customer deliveries
  - The changing landscape of the market
  - Best ways to approach the market to win additional business
  - Ongoing quality of service
- **Outcomes and actions**
  - Development of long-term strategic relationships formed on the basis of trust and understanding which are mutually beneficial
  - Additional business opportunities
  - Working closely with suppliers, particularly those with long lead time items, to ensure continuity of supply at the same time meeting deadlines

Suppliers

- **Why we engage**
  We have a strong supplier base, particularly for key components required to manufacture our product, as well as strong relationships with our key contract equipment manufacturer. Our suppliers are fundamental to the quality of the products we offer our customers and it is therefore important to deal with suppliers who are committed to us and our values.
- **How we engaged**
  The Board indirectly engages with suppliers through our procurement team, who are responsible for our supply chain relationships. In addition, the Executive Directors engaged directly with suppliers to ensure continuity of long lead time items, and to negotiate best payment terms with suppliers. They engaged with our suppliers through physical visits where possible (via the CyanConnode team in India) and through regular virtual meetings in the absence of physical visits prevented by the pandemic
- **What we discussed**
  - Continuity of supply and planning of supply of long lead time components
  - Pricing
  - Flexibility on payment terms
  - Reciprocal business growth
  - Provision of our support for a key supplier's IPO
- **Outcomes and actions**
  - Development of long-term strategic relationships formed on the basis of trust and understanding, which are mutually beneficial
  - Mitigation of sourcing risk by moving procurement of some products to alternate suppliers
  - Adequate supply of long lead time items ensuring supply to meet customer requirements
  - Flexibility on payment terms
  - Negotiating lowest possible price increases

Board decision-making in practice

During the year the Board made a number of principal decisions which we regard as those that are material to the group and to any of our key stakeholder groups.

In making decisions the Board considers the views of its key stakeholders, as well as the need to maintain our reputation for high standards of business conduct and the need to act fairly between the members of the Company.

An example of how the Board considered key stakeholders is set out below.

- **Funding**

The Board continuously monitors the Groups' cashflow forecasts to ensure the Group has sufficient cash for operations, as well as for any growth opportunities and requirements. During the pandemic this was crucial to ensure the Group could mitigate against any potential delays in deployment of contracts, or cash being received from customers. The CFO regularly engages with financial institutions regarding availability of working capital solutions and updates the Board on any proposals made to the Group. During the year the Board engaged with major shareholders, via the Executive Directors, to discuss some of the funding proposals available to them. The outcome from these discussions was that the Board agreed to progress with a Placing which was heavily oversubscribed and at a premium to the share price at the time of closing, which meant there was minimal dilution to existing shareholders.

Environment, Social and Governance (ESG)

The CyanConnode focus on ESG is not viewed as a separate exercise to be "completed", but as a core part of our business strategy and culture, integrated into work life and management processes. Through this integrated approach, CyanConnode ensures every area of the business delivers sustainable benefits for its customers, employees, and investors.

One of our key areas of focus is to formalise our ESG (environmental, social and governance) agenda to ensure it is both robust and is setting relevant and ambitious targets. We intend to work to improve how we measure our impacts across a range of environmental and social areas. It is important to us that we operate in an ethically, socially and environmentally responsible way.

As we continue to make progress in improving our sustainability, our strategy will evolve to ensure that we continue to challenge ourselves, address all those issues material to our stakeholders and better understand the areas where we can achieve most impact.

Material issues	Actions we have taken and will take
People and culture	We are committed to our people and their wellbeing and aim to have a supportive, collaborative culture and strong values We have a diverse team across the locations in which we operate. 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. Information relating to our employment practices can be found in the Employee Matters section on page 16 of this report
Environment and climate change	CyanConnode seeks to minimise as far as possible its impact on the environment and received ISO14001 accreditation during 2019. This is subject to annual audits, each of which has been passed. It works closely with local businesses to put in place joint environmentally friendly policies. More on our Environmental Policy can be found in the Employee Matters section on page 16 of this report During 2021, CyanConnode received the London Stock Exchange Green Economy Mark. A requirement of this award was for more than 70% of the Company's revenue to come from green technologies. The Stock Exchange determined that CyanConnode's technology fulfils the criteria
Responsible supply chain	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

Material issues	Actions we have taken and will take
Social responsibility	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 We have processes and policies in place to ensure awareness of our social responsibilities. 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 Information relating to our employment practices can be found in the Employee Matters section on page 16 of this report
Data Security	The nature of CyanConnode's business requires it to have a robust data security policy. This is key to underpin the trust our partners and customers place in us CyanConnode received accreditation for the ISO27001 standard in 2019 and is audited on this accreditation annually. In addition, CyanConnode has strict security requirements due to its involvement in the UK Smart Metering Programme, and has annual audits against its ISO27001 accreditation by its customers

Further details on practical steps the Group has taken on ESG 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/.

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.

Key performance indicators

An analysis of the financial performance for the year using Key Performance Indicators is included within the Financial Review, see page 21.

STRATEGIC REPORT

Operational Review
Principal Risks and Uncertainties

Risk Management

The Board has overall responsibility for the management of risk at CyanConnode. The Board monitors the actions required to mitigate our risks and is responsible for:

- Setting and communicating the Group's risk appetite
- Aligning the risk mitigation approach with the Group's strategic objectives
- Reviewing and challenging the risk register
- Embedding effective risk management in the culture of the Group
- Empowering people at all levels to engage with risk management and internal control systems

The Executive Directors are responsible for:

- Day-to-day risk management
- Reviewing and monitoring risk and mitigation strategies across the business

The Group Leadership along with the ISO Team are responsible for:

- Identifying key risks facing the business
- Compiling Group risk registers
- Determining appropriate and proportionate risk mitigation strategies

Colleagues are responsible for:

- Identifying key risks facing the business
- Management of risk through applying appropriate controls, policies and processes

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 tables. Many of these risks have not changed from prior years.

Financial risks

1. Pandemic	
Risk and impact Delays to deployment of projects, resulting in delays to revenue and payments from customers Delays and difficulties in receiving adequate components for manufacture of the Group's products, resulting in delayed deliveries to customers Limited access to the Group's offices resulting in delays to software / hardware development Adverse effect on welfare of employees resulting in reduced output	**Mitigation** • Continual monitoring of the situation and adopting a flexible approach to ensure appropriate response to support the business • The health, safety and wellbeing of our employees is paramount and we have worked to ensure a safe working environment for all, offering as much flexibility as possible • Adapted work practices to enable everyone who can, to work from home and to arrange our sites with safety in mind to ensure all vital operations and projects remained on track. Adopted a staged approach to the opening of office facilities to protect our employees • Working closely with existing and new customers, to manage their immediate and longer-term needs • Maintaining regular contact with our supply chain to ensure continuity of supply • Monitoring the regulatory landscape and market conditions • Managing cash to protect the Group's liquidity • Group Leadership Team providing regular updates to keep all staff informed and maintain team spirit

2. Movements in component pricing and stock shortages

Risk and impact

Movements in component pricing can materially impact profitability and cash

During the past couple of years there have been significant shortages of certain components and this has driven up prices globally. In additional these shortages can lead to possible stock shortages

Mitigation

- Detailed stock planning and stock movement processes
- Monitoring and communication of market conditions and long-term raw material contracts
- Maintaining close relationships with suppliers to ensure best pricing possible
- Continuing to identify new suppliers for key raw materials or those where shortages exist

3. Funding

Risk and impact

There is a risk that there could be delays to customer deliveries or receipts from customers

Should the Group wish to explore new territories, products or business opportunities or models there would be a requirement for additional investment

Mitigation

- 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. They may also require significant funding at the outset and the Group is in discussions with many infrastructure funds in this regard
- 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

4. Currency

Risk and impact

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

Mitigation

- 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
- In Thailand, we sell in US dollars with cost of sales also being paid in US dollars
- 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

People risks

5. Loss of key staff and failure to manage succession	
Risk and impact 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 A lack of experienced and engaged employees will have a detrimental impact on all areas of the business	**Mitigation** • Continue to develop succession planning for positions across the Group • Provide well-structured and competitive reward and benefit packages that ensure our ability to attract and retain employees • Offer training and development opportunities to support staff in their careers • Ensure that employees receive regular performance reviews and discussions throughout the year to enable any issues to be identified and resolved in a timely manner • Develop people managers to ensure that they are equipped with the right skills to manage and motivate teams

Operational risks

6. Quality of product and service	
Risk and impact A sub-standard quality of product and service could lead to reputational damage, loss of revenue and loss of key customers	**Mitigation** • Strong supplier qualification process, intake testing and analysis • Regular review of risk matrix for raw materials handled • Continuation of visits to suppliers • Close monitoring of deployment to ensure quality of service and Service Level Agreements (SLAs) • Close communication between sales and operations to ensure early identification of any issues in deployments • Manage sub-contractor relationships

7. IT issues including network, hardware, data and security	
Risk and impact Loss of IT systems and/ or data, impacting on the ability of the business to function effectively Reputational damage and litigation in respect of data protection Disruption to or penetration of our information technology platforms could have a material adverse impact on the Group	**Mitigation** • Well-constructed IT infrastructure with failover capabilities, supported by a comprehensive asset management database and best practice maintenance processes such as those required by our ISO27001 accreditation • Multi-layered security protection system in place • Technology resources are continuously monitored by appropriately trained staff, which provide and maintain process controls aimed at securing our networks and data. • Security team continuously searches for and fixes vulnerabilities, including those reported by third-party security consultants • Continued investment in infrastructure and particularly software security • Ad hoc hacking attempts by third-party security consultants and penetration testing

8. Macroeconomic conditions and political risk	
Risk and impact Sales cycles to our customers and end utilities in emerging markets can be lengthy and unpredictable leading to loss of stakeholder confidence and reputation 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, and may delay award of contracts leading to loss of revenue and reputational damage	**Mitigation** • Maintain close relationships with partners and potential end customers to respond to the changing demands of the market and maximise contract wins • Employ 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 • Analyse market data regularly to provide valuable information on demand changes, to allow the Group to react to these changes in a timely manner • Use local partners who are familiar with local market conditions as agents or resellers of our technology • Regular communication with stakeholders to update and educate on the macroeconomic conditions

Laws and regulatory risks

9. Failure to comply with relevant environmental, H&S and other applicable legislation	
Risk and impact HSE investigations could lead to possible enforcement actions including fines, enforcement notices. Failure to comply with relevant legislation could lead to risk of site closure	**Mitigation** • Detailed understanding of legislative requirements with internal involvement, consultative support and capital investment • Pro-active role in ensuring the Group's systems and procedures are adapted to ensure compliance • Continuation of relevant training and assessment of employee skills across the Group

Employee Matters

The responsibility for the recruitment and management of resources lies with the Executive Directors.

Headcount

The average number of employees increased during the year ending 31 March 2022 to 59 (2021: 47). 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 29% of the management team that reports to the Board, or 2 out of 7 employees (2021: 33%, or 2 out of 6 employees) and at Board level 20% (2021: 20%). At year end women comprised 18% of total employees across the Group (2021: 20%) or 11 out of a total of 60 employees (2021: 11 out of 54). The Group has and encourages a diverse workforce.

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 also available on the Group's website. 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 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 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

22 August 2022

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 £5m 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 Financial 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 utilising 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.

John Cronin
Executive Chairman

22 August 2022

GOVERNANCE

Financial Review

Key Financials

Financial Summary

Despite the year having started during the second wave of the Covid-19 pandemic, with many countries being in lockdown, the Group managed to continue with its deployments and is pleased to have achieved record revenues for the year.

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 2022 £000	12 months Mar 2021 £000	15 months Mar 2020 £000	12 months Dec 2018 £000	12 months Dec 2017 £000
Revenue	9,562	6,437	2,451	4,465	1,171
R&D expenditure (including staff costs)	1,755	1,791	2,381	2,466	4,148
Operating costs	6,025	5,788	7,600	9,061	11,650
Operating loss	(1,018)	(2,685)	(6,230)	(6,320)	(11,153)
Depreciation and amortisation	616	627	773	472	489
EBITDA	(401)	(2,058)	(5,457)	(5,848)	(10,664)
Stock impairment	62	108	4	578	55
Share based compensation	363	80	267	445	422
Underlying operating loss	(38)	(1,978)	(5,190)	(5,403)	(10,242)
Foreign exchange (gain)/losses	(131)	(15)	267	16	52
Adjusted EBITDA[1]	58	(1,885)	(4,919)	(4,809)	(9,868)
Cash and cash equivalents	2,355	1,489	1,172	4,564	5,394
Average monthly operating cash outflow	(261)	(81)	(245)	(487)	(808)

	Mar 2022 FTE[2]	Mar 2021 FTE	Mar 2020 FTE	Dec 2018 FTE	Dec 2017 FTE
Average	59	47	50	52	44
Year end	60	54	48	61	52

1 Where Adjusted EBITDA is EBITDA after stock impairment, share-based compensation and foreign exchange losses have been added back
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 UK adopted 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 of £9.6 million was 49% higher than for FY21 (£6.4 million)
- Operating loss for the year to March 2022 was £1.7 million lower than previous year
- EBITDA (loss) for the year to March 2022 was £1.7 million lower than previous year (2021: £2.1 million loss)
- Cash and cash equivalents at the end of FY22 of £2.4 million was £0.9 million higher than the end of FY21
- 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 items of note during the year other than those set out above were:

- Cash received from customers during FY22 was £8.2 million (2021: £5.3million)
- Trade and other receivables increased by £2.1 million during the year to £7.5 million (including retentions), largely due to the higher revenues recognised during the year
- R&D tax credit of £0.6 million for FY22 at a similar level to FY21

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, the loan from two directors remained in place at year end, and letters of credit, invoice discounting and advance payments have been negotiated on recently won contracts to help with working capital requirements. The loan from Peter Tyler for £0.1 million was repaid in April 2022.

Key Performance Indicators (KPIs)

The financial key performance indicators for the Group are as set out in the key financial results table above. FY2022 revenues were 49% up on the previous year FY21 comparatives as a result of major contracts in India which started rolling out during the year. Operating costs for the year increased by 4% compared to FY21, EBITDA (loss) decreased from £2.1 million in FY21 to £0.4 million in FY22 and adjusted EBITDA (loss) decreased from £1.9 million in FY21 to less than £0.1 million in FY22. The Group's average headcount increased by 12. Non-financial KPIs included the number of modules shipped which increased from 481,000 in FY21 to 612,000 in FY22. The Group will be agreeing additional non-financial KPIs to be monitored during FY23.

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, and as highlighted in the previous paragraph, 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 2022 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. Avenues continue to be 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 2024 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 detailed cashflow scenarios include Letters of Credit which have been secured from customers against contracts recently won.

At 31 March 2022 the Group had cash reserves of £2.4 million (FY21: £1.5m) and based on detailed cash flows provided to the Board within the FY23/24 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.

To assist with working capital, two directors extended short-term loans of £400,000 in November 2020. These were still in place at the end of March 2022. £100,000 was repaid to Peter Tyler in April 2022. The Company received an advance of £500,000 secured against its R&D tax credit in December 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 2022.

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 36 to the financial statements.

Dividends

The directors do not recommend the payment of a dividend (2021: £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

22 August 2022

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.

As the business continues to grow it needs a strong, effective, entrepreneurial and engaged Board with the right skills and experience to oversee the strategy, governance, risk and financial frameworks across the organisation. The Board was refreshed in 2019 with the introduction of two new Non-executive Directors bringing relevant skills and experience to the Board. There have been no appointments since then.

We will continue to review the Board's composition to ensure that it maintains appropriate skills, experience, independence, and particularly diversity and that it remains effective.

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 2022 Strategic Report on pages 5 to 17.

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 and 2021, the AGM was a closed-door AGM due to COVID-19 restrictions, however the Company held a virtual investor presentation during the weeks prior to the AGM in both years, encouraging participation by shareholders. It is anticipated that the AGM shall return to a face-to-face meeting in 2022.

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. Our technology is low-cost, low-power and seeks to prevent theft from electricity or tampering with electricity meters. These features 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. Further information on how we engage with our stakeholders can be seen in the s.172 report on pages 8 to 11 of our 2022 Annual Report.

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 16 of our Strategic Report in the 2022 Annual Report. During the COVID-19 pandemic the Group adapted its working practices to ensure the health and safety of all employees. Regular discussions were held with employees regarding their wellbeing, and regarding best working practices during the pandemic. These discussions continue as the Group adapts its working practices to the most suitable following the easing of restrictions.

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 16-17 of the 2022 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 and has passed all audits for these accreditations since.

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 regular 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 progress on each development.

Please see pages 13 to 16 of the 2022 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 . 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 Group, the Board and its governance, including the planning and implementing of resources. The Group has an MD & CEO of its entity in India to manage the Indian operations, along with a Chief Operating Officer who leads the local delivery and engineering staff. A President of Global Sales & Business Development, with focus on India, due to the high volume of tenders being released during 2022, was appointed in January 2022. A Vice President of International Sales focuses on sales and opportunities outside of India. A Group Chief Financial Officer manages the finances of the Group while group engineering and operations are managed by the Group Chief Operating Officer. These 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, including recruitment and management of resources. This includes formulating and recommending the Group's strategy for Board approval and executing the approved strategy.

The Board meets 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 or FY22 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	7 (7)**	-	-
Heather Peacock*	7 (7)**	2 (2)	-
David Johns-Powell	6 (7)	-	-
Chris Jones	6 (7)	2 (2)	4 (4)
Peter Tyler	6 (7)	2 (2)	4 (4)

* Heather Peacock attended the Audit Committee meetings by invite.

**John Cronin and Heather Peacock each attended an additional meeting which covered regulatory matters. Authority was delegated to them by the other Directors.

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 18-19 of the 2022 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 the second half of FY22 a formal review of the effectiveness of the Board was performed against the principles of the QCA Corporate Governance Code for Smaller Companies. Strengths and weaknesses of the Board were identified during this process, and actions to address any weaknesses are being carried out. Some of the main actions for these areas of weakness that could be improved upon were as follows:

- No strategy sessions / away-days had been held during the years of Covid-19. It was agreed these would re-commence during the next 12 months
- It was agreed that Board evaluations would be performed annually, with the first one having been concluded in 2022
- It was identified that the Board had not been updated on the Groups' accreditations for ISO9001, 14001 and 27001, These accreditations were received in 2019, with all annual audits since then having been successfully passed. It was agreed to have more frequent discussions on ISO and policies at an executive level and update the Board as required

- The Board should continually evaluate whether further fully independent non-executive Directors are required on the Board

Each 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 28.

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 two offices, one in Cambridge in the UK and one in Gurgaon in India, and has a subsidiary 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 page 17 of the 2022 Annual Report. During FY22 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 pandemic, 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 on pages 24 and 25 of the Corporate Governance Statement in the 2022 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 2022 the Board comprised five directors, including the Executive Chairman, the Chief Financial Officer and three non-executive directors, one of whom is considered to be independent. All of the five directors in post at 31 March 2022 served throughout the year.

Name	Role	Appointed	In post 1 April 2021	In post 31 Mar 2022
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 pages 34 to 35 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 29 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
22 August 2022

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, which has been repaid since the end of FY22. 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 £5.0m they have invested thus far (see page 32 for more details of their shareholdings).

	Total investment to date* £000	Annual remuneration FY 2022 £000	Total investment as % of remuneration
John Cronin	1,153	335	344%
Heather Peacock	119	209	57%
David Johns-Powell	3,018	-	n/a
Peter Tyler	670	8	8375%
Chris Jones	14	30	47%
Total	4,974	582	855%

* The investment value reflects the cost of actual cash paid at the time of purchase.

In addition during FY21 short term loans were provided to the Company by John Cronin (£300,000) and Peter Tyler (£100,000). The Company has repaid the loan from Peter Tyler post period end.

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 £90,000 were made to Directors for FY 2022 (2021: £207,433)

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 2022 Number	As at 31 March 2021 Number
John Cronin	17/11/17	17/11/27	0.336	-	558,101
	25/01/18	25/01/28	0.29	200,000	200,000
	22/09/20	22/09/30	0.10	360,342	360,342
	10/11/21	10/11/31	0.145	558,102	-
	10/11/21	10/11/31	0.145	589,037	-
				1,707,481	1,118,443
Heather Peacock	17/11/17	17/11/27	0.308	-	619,424
	11/12/17	11/12/27	0.40	25,000	25,000
	20/06/18	20/06/28	0.28	-	745,222
	22/09/20	22/09/30	0.10	90,909	90,909
	10/11/21	10/11/31	0.145	619,424	-
	10/11/21	10/11/31	0.145	798,875	-
				1,534,208	1,480,555
Chris Jones	22/09/20	22/09/30	0.10	57,556	57,556
				57,556	57,556
Peter Tyler	22/09/20	22/09/30	0.10	40,000	40,000
				40,000	40,000
David John-Powell	28/09/20	28/09/30	0.10	250,000	250,000
				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. ("EBT") 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 2022, the following JSOP shares held by John Cronin and Heather Peacock were transferred back to the Trust and re-issued to John Cronin and Heather Peacock at a price of 14.5p.

Date of issue	Strike Price	John Cronin	Heather Peacock
23 Oct 2017	33.33p	1,382,425	296,568
	43.40p	-	267,396
	49.64p	3,219,200	-
Total		4,601,625	563,964

A further 1,070,734 JSOP shares were issued to John Cronin and 767,534 JSOP shares were issued to Heather Peacock during the year at a price of 14.5p per share.

At 31 March 2022, shares held by directors under this scheme were as follows:

Director	Grant Date	Expiry Date	Participation Price £	As at 31 March 2022 Number	As at 31 March 2021 Number
John Cronin	23/10/17	23/10/22	0.4964	-	3,219,200
	23/10/17	23/10/22	0.333	-	1,382,425
	10/11/21	10/11/26	0.145	5,672,359	-
				5,672,359	4,601,625
Heather Peacock	23/10/17	23/10/22	0.434	-	267,396
	23/10/17	23/10/22	0.333	-	296,568
	10/11/21	10/11/26	0.145	1,331,498	-
				1,331,498	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.

The above JSOP shares granted in previous 2017 were cancelled and replaced with new JSOP shares on 10 November 2021 with an incremental fair value, of which has been accounted for as a modification and is being spread over the vesting period of the new options.

Directors' Interests in Shares in the Company

Director	Shares
John Cronin	
As at 1 April 2021	5,241,200
Purchased during the year	605,264
As at 31 March 2022	5,846,464
David Johns-Powell	
As at 1 April 2021	19,083,490
Purchased during the year	567,669
Transfer of beneficial interest	(3,176,656)
As at 31 March 2022	16,474,503
Peter Tyler	
As at 1 April 2021	2,489,004
Purchased during the year	-
As at 31 March 2022	2,489,004
Heather Peacock	
As at 1 April 2021	683,771
Purchased during the year	195,488
As at 31 March 2022	879,259
Chris Jones	
As at 1 April 2021	57,556
Purchased during the year	78,571
As at 31 March 2022	136,127
Total	
As at 1 April 2021	27,555,021
Purchased during the year	1,446,992
Total disposed during the year	(3,176,656)
As at 31 March 2022	25,825,357

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 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 below.

Directors' Emoluments (audited)

Amounts for the year ended 31 March 2022

Name of Director	Salary £	Fees £	Pension and other benefits £	Bonus £	Total for FY 2022 Services £	Total for FY 2021 Services £
Executive						
John Cronin	30,000	262,500	2,562	40,000	335,062	308,600
Heather Peacock	150,000	-	8,612	50,000	208,612	203,075
Non-Executive						
Chris Jones	30,000	-	-	-	30,000	25,625
David Johns-Powell	-	-	-	-	-	-
Peter Tyler	7,500	-	-	-	7,500	-
Total	217,500	262,500	11,174	90,000	581,174	537,300

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 22 August 2022 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 year ended 31 March 2022, 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 year ended 31 March 2021 and after the year end for the year ended 31 March 2022.

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 2021 Annual Report;
- Review of the interim results for the six months ended 30 September 2021; 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. The Group passed its ISO audits during the year.

Committee Evaluation

During the period the Audit Committee was re-evaluated as part of a full Board evaluation and it was agreed that its composition remained appropriate. The committee will be evaluated as part of each evaluation of the Board.

Approval

This report was approved by the Board of directors on 22 August 2022 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 2022. The Company's statement on corporate governance can be found on pages 22 to 28 of the financial statements. The corporate governance report forms part of the Directors' Report and is incorporated by cross reference.

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 2024 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 20 to 21 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 21.

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 28. At 31 March 2022, 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 35.

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 22 to 28.

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 2021 and 31 March 2022.

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 and share options granted to the Directors are shown in the remuneration committee report on pages 30-32.

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 £1,755,000 (2021: £1,791,000).

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 19 August 2022 and at the same date its issued share capital consisted of 236,309,035 Ordinary Shares:

Name	Percentage of issued share capital	Number of ordinary shares
Premier Miton Group Plc	7.67%	18,133,214
S Chari	7.38%	17,437,105
Herald Investment Management Limited	7.21%	17,029,399
William David Johns-Powell	6.97%	16,474,503
Nightingale Investment Co Limited	3.55%	8,382,352
Biggles Enterprise Limited	3.53%	8,333,333
CRUX Asset Management	3.50%	8,270,677

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 56 days (2021: 34 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.

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 22-23.

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
22 August 2022

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 and are required by the AIM Rules of the London Stock Exchange to prepare the group financial statements in accordance with UK-adopted International Accounting Standards and to prepare the company financial statements in accordance with UK-adopted International Accounting Standards and applicable law.

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK-adopted International Accounting Standards;
- 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
22 August 2022

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 2022 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 UK-adopted International Accounting Standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards and as applied in accordance with the 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[1] 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.

Summary of our audit approach

Key audit matters	**Group** • Revenue recognition • Impairment **Parent Company** • Impairment
Materiality	**Group** • Overall materiality: £191,000 (2021: £325,000) • Performance materiality: £143,000 (2021: £243,000) **Parent Company** • Overall materiality: £133,000 (2021: £106,000) • Performance materiality: £100,000 (2021: £80,000)
Scope	Our audit procedures covered 94% of revenue, 95% of total assets and 99% of 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 performed cut-off testing and other substantive testing procedures to validate the recognition of revenue throughout the year was in line with contractual arrangements and IFRS 15 requirements. We also considered the adequacy of the group's revenue recognition accounting policy as disclosed in note 2 and judgements disclosed in note 3.

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 £3.68m 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 £9.04 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	£191,000 (2021: £325,000)	£133,000 (2021: £106,000)
Basis for determining overall materiality	2% of total revenue	1% of net assets (reduced to a suitable level to support the group audit opinion).
Rationale for benchmark applied	Total revenue chosen as the group is revenue growth orientated.	Net assets were chosen as the entity is a non-trading holding company.
Performance materiality	£143,000 (2021: £243,000)	£100,000 (2021: £80,000)
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £9,500 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £7,000 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	94%	99%	95%
Total	**3**	**94%**	**99%**	**95%**

Analytical procedures at group level were performed for the remaining 2 components. Of the above, full scope audits for one component were undertaken by component auditors.

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 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.

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 40, 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 and component auditors:

- 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

All relevant laws and regulations identified at a Group level and areas susceptible to fraud that could have a material effect on the financial statements were communicated to component auditors. Any instances of non-compliance with laws and regulations identified and communicated by a component auditor were considered in our audit approach.

The most significant laws and regulations were determined as follows:

Legislation / Regulation	Additional audit procedures performed by the Group audit engagement team and component auditors 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 (as noted above) and inspection of legal and regulatory correspondence, if any.

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 matter above.
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, City House
126-130 Hills Road
Cambridge
CB2 1RE

22 August 2022

FINANCIAL STATEMENTS

Consolidated income statement

FOR THE YEAR ENDED 31 MARCH 2022

	Note	Year 31 March 2022 £000	Year 31 March 2021 £000
Continuing operations			
Revenue	4	9,562	6,437
Cost of sales		(4,554)	(3,334)
Gross profit		5,008	3,103
Other operating costs	6	(6,025)	(5,788)
Underlying operating loss		(38)	(1,978)
Amortisation and depreciation		(616)	(627)
Share based payments	35	(363)	(80)
Operating loss		(1,017)	(2,685)
Finance income	9	3	13
Finance expense	10	(164)	(62)
Loss before tax		(1,178)	(2,734)
Tax credit	11	307	677
Loss for the year		(871)	(2,057)
Loss per share (pence)			
Basic	12	(0.42)	(1.18)
Diluted	12	(0.42)	(1.18)

FINANCIAL STATEMENTS

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 31 MARCH 2022

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

	Year 31 March 2022 £000	Year 31 March 2021 £000
Loss for the year	(871)	(2,057)
Exchange differences on translation of foreign operations	76	(25)
Total comprehensive income for the year	(795)	(2,082)

FINANCIAL STATEMENTS

Consolidated statement of financial position

AS AT 31 MARCH 2022

	Note	31 March 2022 £000	31 March 2021 £000
Non-current assets			
Intangible assets	13	4,093	4,266
Goodwill	15	1,930	1,930
Other financial assets	19	58	44
Property, plant and equipment	16	31	36
Right of use asset	17	153	98
Trade receivables	20	458	–
Total non-current assets		6,723	6,374
Current assets			
Inventories	21	159	211
Trade and other receivables	22	6,993	5,355
R&D tax credit receivables		562	577
Cash and cash equivalents	23	2,355	1,489
Total current assets		10,069	7,632
Total assets		16,792	14,006
Current liabilities			
Trade and other payables	24	(2,364)	(3,969)
Short-term borrowings	25	(1,867)	(2,118)
Corporation tax liabilities		(193)	–
Lease liabilities	17	(28)	(98)
Total current liabilities		(4,452)	(6,185)
Net current assets		5,617	1,447
Non-current liabilities			
Lease liabilities	17	(125)	–
Deferred tax liability	26	(746)	(812)
Other payables	27	(38)	–
Total non-current liabilities		(909)	(812)
Total liabilities		(5,361)	(6,997)
Net assets		11,431	7,009
Equity			
Share capital	28	4,726	3,735
Share premium account	29	73,883	69,662
Own shares held	30	(3,611)	(3,253)
Share option reserve	31	1,068	925
Translation reserve	32	31	(45)
Retained losses	33	(64,666)	(64,015)
Total equity being equity attributable to owners of the Company		11,431	7,009

The financial statements of CyanConnode Holdings plc (registered number 04554942) were approved by the board of directors and authorised for issue on 22 August 2022. They were signed on its behalf by:

John Cronin
Director

FINANCIAL STATEMENTS

Consolidated statement of changes in equity

FOR THE YEAR ENDED 31 MARCH 2022

	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 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 income 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**
Loss for the year	–	–	–	–	–	(871)	(871)
Other comprehensive income for the year	–	–	–	–	76	–	76
Total comprehensive income for the year	–	–	–	–	76	(871)	(795)
Issue of share capital	991	4,221	(358)	–	–	–	4,854
Credit to equity for share options	–	–	–	363	–	–	363
Transfer	–	–	–	(220)	–	220	–
Total transactions with owners	991	4,221	(358)	143	–	220	5,217
Balance at 31 March 2022	**4,726**	**73,883**	**(3,611)**	**1,068**	**31**	**(64,666)**	**11,431**

FINANCIAL STATEMENTS

Consolidated cash flow statement

FOR THE YEAR ENDED 31 MARCH 2022

	Note	Year 31 March 2022 £000	Year 31 March 2021 £000
Net cash outflow from operating activities	34	(3,134)	(977)
Investing activities			
Interest received		3	13
Purchases of property, plant and equipment	16	(26)	(23)
Purchases of intangible assets	13	(259)	(129)
(Purchase) / disposal of other financial assets	19	(14)	49
Net cash outflow from investing activities		(296)	(90)
Financing activities			
Interest paid on borrowings		(157)	(51)
Cash inflow from borrowings	25	500	385
Cash net (outflow) / inflow from debt factoring	25	(366)	1,333
Cash inflow from Directors' loan	25	–	400
Loan repayment	25	(385)	(560)
Capital repayments of lease liabilities	17	(153)	(176)
Interest paid on lease liabilities	17	(7)	(11)
Proceeds on issue of shares	28	5,177	75
Share issue costs		(327)	–
Net cash inflow from financing activities		4,282	1,395
Net increase in cash and cash equivalents		852	328
Effects of exchange rate changes on cash and cash equivalents		14	(11)
Cash and cash equivalents at beginning of the year		1,489	1,172
Cash and cash equivalents at end of the year		2,355	1,489

Analysis of changes in net cash / (debt)

For the year ended 31 March 2022	At 1 April 2021 £000	Cash flow £000	Other non-cash movements £000	Net foreign exchange difference £000	At 31 March 2022 £000
Cash and cash equivalents	1,489	852	–	14	2,355
Short-term borrowings	(2,118)	251	–	–	(1,867)
Lease liabilities	(98)	160	(215)	–	(153)
	(2,216)	411	(215)	–	(2,020)
Net cash / (debt) at end of year	(727)	1,263	(215)	14	335

For the year ended 31 March 2021	At 1 April 2020 £000	Cash flow £000	Other non-cash movements £000	Net foreign exchange difference £000	At 31 March 2021 £000
Cash and cash equivalents	1,172	328	–	(11)	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	(1,043)	(11)	(11)	(727)

Other non-cash movements include interest on lease liabilities and new leases taken on in the year.

FINANCIAL STATEMENTS

Company balance sheet

AS AT 31 MARCH 2022

	Note	31 March 2022 £000	31 March 2021 £000
Non-current assets			
Intangible assets	14	–	–
Investments in subsidiaries	18	9,036	9,185
Total non-current assets		9,036	9,185
Current assets			
Trade and other receivables	22	2,227	1,093
Cash and cash equivalents	23	1,618	190
Total current assets		3,845	1,283
Total assets		12,881	10,468
Current liabilities			
Trade and other payables	24	(183)	(177)
Short-term borrowings	25	(900)	(785)
Total current liabilities		(1,083)	(962)
Net current assets		2,762	321
Net assets		11,798	9,506
Equity			
Share capital	28	4,726	3,735
Share premium account	29	73,883	69,662
Share option reserve	31	1,068	925
Retained losses	33	(67,879)	(64,816)
Total equity being equity attributable to owners of the Company		11,798	9,506

The Company reported a loss for the financial year ended 31 March 2022 of £3,283,000 (2021: £1,036,000). The financial statements of CyanConnode Holdings plc (registered number 04554942) were approved by the board of directors and authorised for issue on 22 August 2022. They were signed on its behalf by:

John Cronin
Director

FINANCIAL STATEMENTS

Company statement of changes in equity

FOR THE YEAR ENDED 31 MARCH 2022

	Share Capital £000	Share Premium Account £000	Share Option Reserve £000	Retained Losses £000	Total Equity £000
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**
Loss for the year	–	–	–	(3,283)	(3,283)
Total comprehensive income for the year	–	–	–	(3,283)	(3,283)
Issue of share capital	991	4,221	–	–	5,212
Credit to equity for share options	–	–	363	–	363
Transfer	–	–	(220)	220	–
Total transactions with owners	991	4,221	143	220	5,575
Balance at 31 March 2022	**4,726**	**73,883**	**1,068**	**(67,879)**	**11,798**

Company cash flow statement

FOR THE YEAR ENDED 31 MARCH 2022

	Year 31 March 2022 £000	Year 31 March 2021 £000
Loss for the year before taxation and interest	(3,198)	(987)
Shares issued in lieu of bonus	5	119
Net impairment charge	1,286	767
Operating cash outflows before movement in working capital	(1,907)	(101)
Increase in receivables	(1,551)	(569)
Increase in payables	6	58
Net cash outflow from operating activities	(3,452)	(612)
Financing activities		
Cash inflow from short-term borrowing	500	385
Cash inflow from Directors' loan	–	400
Loan repayment	(385)	(560)
Interest paid on loans	(85)	(49)
Proceeds on issue of shares	5,177	75
Share issue costs	(327)	–
Net cash inflow from financing activities	4,880	251
Net decrease in cash and cash equivalents	1,428	(361)
Cash and cash equivalents at beginning of the year	190	551
Cash and cash equivalents at end of year	1,618	190

Analysis of changes in net cash / (debt)

For the year ended 31 March 2022	At 1 April 2021 £000	Cash flow £000	Other non-cash movements £000	At 31 March 2022 £000
Cash and cash equivalents	190	1,428	–	1,618
Short-term borrowings	(785)	(115)	–	(900)
Net cash / (debt) at end of year	(595)	1,313	–	718

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 debt at end of year	(9)	(586)	–	(595)

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, rounded to nearest thousand (£'000), 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 UK-adopted International Accounting Standards.

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.

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 2024 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 2022 the Group had cash reserves of £2.4 million (2021: £1.5 million) and based on detailed cash flows provided to the Board within the FY2023/24 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.

To assist with working capital, two directors extended short-term loans of £400,000 in November 2020. These were still in place at the end of March 2022. £100,000 was repaid to Peter Tyler in April 2022. The Company received an advance of £500,000 secured against its R&D tax credit in December 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 2022.

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.

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.

2. Significant accounting policies (continued)

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 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 against each relevant separate performance obligation.

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 / performance obligation – see "Sale of services" below for more information. Revenue for hardware is recognised when control has been passed 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. Term licenses are recognised evenly over the term of the license. The full value of committed payments for perpetual licenses is recognised as revenue when it is granted because at this point the customer is given full "right to use". Any variable consideration is recognised in revenue when the requirements for recognition have been met.

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 / performance obligation - see "Sale of services" below for more information.

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;

2. Significant accounting policies (continued)

- Custom integration of HES software with end customer's own system;
- Network planning and optimisation;
- Project management;
- End user training; and
- Annual Maintenance Contract (AMC) for the Omnimesh system (which 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 over time, 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.

If there are significant time differences between revenue recognition period and invoicing and thereon cash collection, a financing element is accounted for using an appropriate discount rate. Such a financing element has been recognised on one contract in the current period (nil in prior period).

The Group implements Service Level Agreements (SLAs) as an assurance to the customers that products and services supplied are as specified in the contract and will operate at the required levels. The income recognised on the sale of hardware and services is constrained under the variable consideration rules of IFRS 15 for any expected penalties under SLAs during the contract.

The Group also implements retention at 5% on the products and services supplied as specified in the contracts. The retention money is payable by the customers on the completion of the projects. The accounts receivable balance recognised for retentions is based on the expected level of recovery of outstanding balances.

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.

2. Significant accounting policies (continued)

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.

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 regard 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

2. Significant accounting policies (continued)

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.

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.

2. Significant accounting policies (continued)

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.

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 Payments.

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.

2. Significant accounting policies (continued)

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.

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 2021. 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 2022 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 modules and gateway hardware is recognised at the point that the modules and gateways are received by the customer. Gateways may later be installed by the Company or by a third party. The revenue for installation services is recognised as a separate performance obligation when the gateways are installed. The goods and services that CyanConnode supplies and provides are highly independent, they could be supplied and provided by other suppliers and are not considered transformative in nature, i.e. one good or service does not significantly modify or customize another. Therefore, they are considered to be separate performance obligations.

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.

iii. Service level agreement (SLAs)

The Group implements SLAs as an assurance to the customers that products and services supplied are as specified in the contract and will operate at the required levels. The income recognised on the sale of hardware and services is constrained under the variable consideration rules of IFRS 15 for any expected penalties under SLAs during the contract. Income as not been constrained in current and prior year as the level of penalties is not expected to be significant.

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

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 £3.7m carrying value of the related intangible asset at the end of March 2022. Sensitivities were run based on (i) Pre-tax discount rate of 11.5%; (ii) roll-out ceasing at the end of 2025; and (iii) a range of 10% of UK households being in areas that do not get a mobile signal ie "not spots". The "not spots" are where traditional smart meter technology will not work due to lack of mobile coverage. Where this is the case our innovative technologies are deployed under the SMIP contract.

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.

iii. Inventory provision

Inventories include stocks of raw materials and finished goods that the directors believe will be sold within the period to March 2024 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 22) 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 £63,000 (2021: £42,000).

An amount of £3,350,000 (2021: £1,326,000) which is over 90 days old is included in trade debtors, of which a provision of £46,000 has been provided for (2021: £398,000).

CyanConnode Ltd has a loan of £61,030,804 (2021: £57,919,855) with CyanConnode Holdings plc. As at 31 March 2022 a provision of impairment of the loan was provided in full at £61,030,804 (2021: £57,919,855). The Board has considered the provisions around impairment of inter-company indebtedness contained within IFRS9 "Financial Instruments" in relation to all intergroup debtors.

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:

	2022 £000	2021 £000
Continuing operations		
Hardware revenue - recognised at a point in time	7,032	5,187
Software licenses - recognised at a point in time	1,347	136
Revenue from services* - recognised at a point in time	1,028	807
Revenue from support and maintenance** - recognised over time	155	307
Total revenue	9,562	6,437

* Services can include installation of gateways, training, integration of software etc

** Support and maintenance can include Annual Maintenance Contract (AMC) or Field Maintenance Services (FMS)

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.

During the year to end of March 2022 there were 3 customers (2021: 3) whose turnover accounted for more than 10% of the Group's total revenue as follows:

	2022		2021	
	Turnover £000	Percentage of Total%	Turnover £000	Percentage of Total%
Customer A	4,123	43	3,815	59
Customer B	2,370	24	1,062	16
Customer C	1,937	19	624	10

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

	2022		2021	
	Turnover £000	Percentage of Total%	Turnover £000	Percentage of Total%
India	8,471	89	5,302	82
Thailand	449	5	624	10
Europe	502	5	508	8
Rest of The World	140	1	3	-
	9,562	100	6,437	100

6. Other operating costs

	2022 £000	2021 £000
Staff costs	3,694	3,375
Research and development costs (excluding staff costs)	172	314
Rent and site costs	66	41
Office expenses	281	286
Marketing and advertising	173	104
Professional fees	582	328
Audit and accountancy	195	150
Bad debts	146	353
Reversal of bad debt provision	(21)	-
Impairment of inventory	62	108
Foreign exchange	34	(15)
Amortisation and depreciation	616	627
Other	25	117
Other operating costs	6,025	5,788

The total expenditure on research and development including staff costs in the year was £1,755,000 (2021: £1,791,000).

7. Auditor's remuneration

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

	2022 £000	2021 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	68	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	48	56
Total audit fees	116	99

8. Employee information

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

	2022 Number	2021 Number
Sales and administration	18	11
Research and development	29	23
Operations and logistics	12	13
	59	47

There are no employees in the parent company other than Directors, whom are remunerated by other group companies (2021: nil).

8. Employee information (continued)

	2022 £000	2021 £000
Their aggregate remuneration comprised:		
Wages and salaries	3,043	3,021
Social security costs	193	184
Other pension costs	95	90
Share option charges	363	80
	3,694	3,375

At the year end there were employer's pension contributions provided for but not paid of £9,791 (2021: £59,374).

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.

	2022 £000	2021 £000
Their aggregate remuneration comprised:		
Wages, salaries and fees	570	532
Social security costs	33	24
Other pension costs	11	6
	614	562

Specific details of directors' remuneration and other information (including share-based compensation) are included in the Remuneration Committee Report within this Annual Report. John Cronin, Chris Jones and Peter Tyler are not the members of the Company pension scheme.

The highest paid Director received total remuneration of £335,062 (2021: £308,600). Please see page 33 for the details.

9. Finance income

	2022 £000	2021 £000
Interest revenue:		
Bank deposits	3	13

Investment revenue is all earned on cash and cash equivalents.

10. Finance expense

	2022 £000	2021 £000
Interest on debt factoring	57	-
Interest on loans	31	31
Interest on loan from Directors	54	18
Interest on lease liabilities	7	11
Interest on other including late payments	15	2
Total finance expense	164	62

11. Tax

	2022 £000	2021 £000
Current tax:		
UK corporation tax	(586)	(597)
Overseas tax	345	-
Adjustments in respect of prior years	-	20
	(241)	(577)
Deferred tax (note 26)		
Origination and reversal of timing differences	(66)	(100)
Total tax credit	(307)	(677)

	2022 £000	2021 £000
Loss on ordinary activities before tax	(1,178)	(2,734)
Tax on loss at standard corporation tax rate of 19% (2021: 19%)	(224)	(519)
Effects of:		
Expenses not deductible for tax purposes	60	14
Capital allowances (less than) / in excess of depreciation	(10)	1
Capitalisation of R&D costs	(47)	(25)
Losses surrendered for R&D tax credit	767	783
R&D tax credit	(1,020)	(1,039)
Unrelieved tax losses not provided for	408	264
CyanConnode Pvt Ltd utilisation of losses brought forward	(284)	(203)
Difference in tax rates	43	27
Adjustment in respect of prior period	-	20
Total tax credit for the period	(307)	(677)

Factors affecting tax charge in future years

The Finance Act 2021 provided for the main rate of UK corporation tax to increase to 25% for companies with profits over £250,000. It was substantively enacted in May 2021, and as such the unrecognised deferred tax asset at the balance sheet date has been calculated at 25% reflecting the tax rate at which it may be utilised in future periods. Tax losses carried forward at the end of March 2022 were £38,582,446 (2021: £37,094,721).

The Swedish tax rate reduced to 20.6% from 1 January 2021, and the Indian effective tax rate remains unchanged at 25.17% from 1 April 2019 and the deferred tax for Sweden and India has been calculated at these rates.

12. Loss per share

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

	2022	2021
Loss for the purposes of basic loss per share being net loss attributable to equity holders of the parent (£000)	(871)	(2,057)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share (excluding own shares held)	205,173,434	174,755,445
Loss per share (pence)	(0.42)	(1.18)

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 April 2020	144	36	6,100	6,280
Additions	-	129	-	129
At 31 March 2021	144	165	6,100	6,409
Additions	-	259	-	259
At 31 March 2022	**144**	**424**	**6,100**	**6,668**
Amortisation				
At 1 April 2020	144	-	1,578	1,722
Charge for the year	-	-	421	421
At 31 March 2021	144	-	1,999	2,143
Charge for the year	-	11	421	432
At 31 March 2022	**144**	**11**	**2,420**	**2,575**
Carrying amount				
At 31 March 2022	**-**	**413**	**3,680**	**4,093**
At 31 March 2021	-	165	4,101	4,266

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 (2021: £421,000). 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 as outlined in note 3b(i).

14. Intangible assets (Company)

	Software £000	Total £000
Cost		
Balance at 1 April 2021 and 31 March 2022	144	144
Amortisation		
Balance at 1 April 2021 and 31 March 2022	144	144
Carrying amount		
At 1 April 2021 and 31 March 2022	–	–

15. Goodwill

	Group £000
Cost at 1 April 2021 and 31 March 2022	1,930
Carrying amount at 31 March 2021 and 31 March 2022	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 11.5% (2021: 18.7%)
- Compound annual growth rate in revenue over next five years between 15% and 34% (2021: 20% and 29%).
- Growth rate in perpetuity 4.5% (2021: 6.5%), 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 15% and 34% over the next five years with revenues beyond that period based upon a terminal growth rate of 4.5%. The 4.5% 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). Using the above assumptions does not show a requirement for an impairment to goodwill, however failure to achieve the expected revenue growth could make an impairment to goodwill possible. Should the expected revenues not be achieved, costs would be adapted to match revenues and this would mean an impairment would be unlikely.

In the most stretched impairment model, it shows headroom of £0.3 million, however this uses a perpetual growth rate of 1% (3.5% below market forecasts for growth rates in India) and uses very conservative revenue growth against what is already a very conservative model (we have seen an actual revenue growth rate at 49% since financial year 2021). On this basis, management believe that goodwill is not impaired.

16. Property, plant and equipment

Group	Fixtures and equipment £000
Cost	
At 1 April 2020	352
Additions	23
Disposal	(4)
At 31 March 2021	371
Additions	26
At 31 March 2022	397
Accumulated Depreciation	
At 1 April 2020	309
Charge for the period	30
Depreciation on disposal	(4)
At 31 March 2021	335
Charge for the year	31
At 31 March 2022	366
Carrying Amount	
At 31 March 2022	31
At 31 March 2021	36

At 31 March 2022 the Group had no contractual commitments outstanding for the acquisition of property, plant and equipment (2021: £nil).

17. Leases

Right of use asset

Group	Building £000
Cost	
Adoption of IFRS 16 at 1 April 2020	471
Additions	-
At 31 March 2021	471
Additions	208
At 31 March 2022	679
Accumulated Depreciation	
At 1 April 2020	197
Charge for the period	176
At 31 March 2021	373
Charge for the year	153
At 31 March 2022	526
Carrying Amount	
At 31 March 2022	153
At 31 March 2021	98

17. Leases (continued)

Lease liability movements in the year

	2022 £000	2021 £000
As at 1 April	98	274
New lease – India head office	208	-
Payments	(160)	(187)
Interest	7	11
At 31 March	153	98

Lease liabilities

	2022 £000	2021 £000
Current	28	98
Non - Current	125	–
As at 31 March	153	98

Amounts recognised in Income Statement

	2022 £000	2021 £000
Depreciation	153	176
Interest	7	11
Year to 31 March	160	187
Expenses relating to leases of low-value assets that are not shown above as short-term lease in the year (included in other operating costs)	67	47

The Group previously leased its head office property on a term of 3 years. Payments of £141,000 (2021: £187,000) were made against this lease during the year ended 31 March 2022. All lease amounts are recognized where there is a reasonable certainty that the lease will be extended beyond its break point. From 25 March 2022 the company entered into a new short-term lease agreement on a term of 18 months with a mutual right of break by serving a Break Notice at any time after 30 November 2022. This is a low value lease and is considered to be a lease with a period less than one year due to the mutual right of break clause. The new lease amounts are therefore to be expensed over the lease period in compliance with our accounting policies.

CyanConnode Private Limited leases its office property on a 5 year term with a break clause after 3 years. Payments of £19,000 (2021: £nil) were made against this lease during the year ended 31 March 2022. An incremental borrowing rate of 8.3% was used to determine the lease liability on inception based on Indian borrowing rates.

18. Subsidiaries

Investment in subsidiaries

	Company 2022 £000	Company 2021 £000
As at 1 April	9,185	9,105
Capital contribution in respect of share-based payment	363	80
Impairment in investment in CyanConnode Limited	(512)	-
As at 31 March	9,036	9,185

18. Subsidiaries (continued)

Movement in investment of subsidiaries

	Company 2022 £000	Company 2021 £000
Cost		
Cost at 1 April	14,569	14,489
Addition	363	80
At 31 March	14,932	14,569
Impairment		
Impairment at 1 April	(5,384)	(5,384)
Impairment in the year	(512)	-
At 31 March	(5,896)	(5,384)
Carrying Amount at 31 March	9,036	9,185

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 Delhi-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 Solna Strandväg 80 172 54 Solna 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 Solna Strandväg 80 172 54 Solna 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

	2022 £000	2021 £000
Bank securities	58	44

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

20. Other non-current assets – trade receivables

	2022 £000	2021 £000
Retention money	458	–

The retention money represents 5% retention on contracts that invoices have been issued and the amount is due from customers on completion of projects. The Group has zero non-settlement of retention historically, and management assessment for expected credit loss on the retention is low looking forward, therefore management is confident that no provision is required.

21. Inventories

	2022 £000	2021 £000
Raw materials	171	294
Raw materials - provision	(49)	(147)
Raw materials – net realisable value	122	147
Finished goods – cost	660	687
Finished goods - provision	(623)	(623)
Finished goods – net realisable value	37	64
Inventories	159	211

Inventories are stated after provisions for impairment of £672,000 (2021: £770,000). £62,000 (2021: £108,000) of stock impairment charges were recognised in the year, and £160,000 (2021: £Nil) provision was utilised. There has been no impairment reversal (2021: £nil) in the year. The total cost of inventories expensed in the year amounted £4,606,000 (2021: £3,265,000).

The Company held no inventories at either balance sheet date.

22. Trade and other receivables

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Trade receivables	6,242	5,550	–	–
Allowance for expected credit losses	(181)	(435)	–	
	6,061	5,115	–	–
Contract assets	600	–	–	–
Other debtors	106	114	7	–
Employee Benefit Trust Loan	–	–	1,724	592
Prepayments	226	126	58	56
Amounts due from group undertakings	–	–	438	445
Trade and other receivables	6,993	5,355	2,227	1,093

The contract assets represent revenue recognised in the year but have not been invoiced. Management expects to raise invoices for these assets in financial year 2023.

CyanConnode Ltd has a loan of £61,030,804 (2021: £57,919,855) with CyanConnode Holdings plc with a current impairment provision of £61,030,804 (2021: £57,919,855).

22. 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 £774,000 (2021: £426,000 increased in value). There was also a further loan of £358,000 made to the EBT in the year (2021: £Nil).

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 customers settle Connode AB's (a wholly owned subsidiary of Connode Holding AB) payments monthly and both Connode Holding AB and Connode AB have very little running costs so free cash is expected to be generated monthly. It is expected that future repayments are to be made 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 36.

Expected credit losses

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

	Group 2022 £000	Group 2021 £000
As at 1 April	(435)	(82)
Charge in the year	(146)	(353)
Provision utilised	400	–
As at 31 March	(181)	(435)

Credit risk

At 31 March 2022 the Group had significant concentration of credit risk in three customers which represented 94% (2021: two customers 91%) of the Group's trade receivables. This reliance on three customers in the Indian smart electricity metering sector is included within our principal risks statement on pages 13 to 16 of this report.

Trade receivables

	2022 £000	2021 £000
Not yet due	2,532	3,430
30 – 59 days	550	454
60 – 89 days	268	340
90 – 179 days	845	257
180 days and over	2,047	1,069
Total	6,242	5,550

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 £3,350,000 (2021: £1,326,000) which is over 90 days old is included in trade receivables, this includes amount of £967,000 which is subject to debt factoring. A provision of £46,000 has been provided based on known exposures and expected credit losses (2021: £398,000). In addition, provisions have been provided for against each of the above categories: Not yet due at £87,000, 30 - 59 days at £32,000 and 60 – 89 days at £16,000.

23. Cash and cash equivalents

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Cash and cash equivalents	2,355	1,489	1,618	190

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.

24. Trade and other payables

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Trade payables	955	1,888	74	87
Other payables	73	147	–	5
Accruals	922	1,228	109	85
Social security and other taxes	325	327	–	–
Contract liabilities	89	379	–	–
	2,364	3,969	183	177

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 and recently won contracts of which £89,000 is anticipated to unwind in financial year 2023. During the year revenue of £333,039 (2021: £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 (2021: £nil). The average credit period taken for trade purchases is 56 days (2021: 30 days) due to significant purchases of meters for smart metering deployments in the year. The average credit period taken in 2022 for trade purchases by the Company was 56 days (2021: 34 days).

Trade payables

	2022 £000	2021 £000
Not yet due	352	1,079
30 – 59 days	603	720
60 – 89 days	–	89
Over 90 days	–	–
Total	955	1,888

The directors consider that the carrying amount of trade payables approximates to their fair value. Included in accruals is an amount of £9,791 relating to contributions to the Group's defined contribution pension plan (2021: £59,374).

25. Short-term borrowings

	Group		Company	
	2022 £000	2021 £000	2022 £000	2021 £000
Advance on R&D tax credit	500	385	500	385
Loan from Directors	400	400	400	400
Debt factoring	967	1,333	–	–
As at 31 March	1,867	2,118	900	785

As at 31 March 2022 a loan of £400,000 (2021: £400,000) from two Directors in assisting with working capital has been extended, of which £100,000 to April 2022 and £300,000 continue on a rolling month by month basis, unless repayment is requested by the Director giving no less than 60 days written notice. Interest is charged at 13.5% per annum.

In December 2021, the Company received an advance loan for £500,000 (2021: £385,000) 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 2022. The loan is secured against the R&D tax credit and bears an interest rate of 13% 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 £967,000 (2021: £1,333,000) was owing to the bank. The facility bore interest at 8.3% per annum at year end.

Connode AB has an overdraft facility for SEK 2 million (£163k) secured against the assets of Connode AB. The balance on this facility was £nil at 31 March 2022 (2021: £nil).

26. 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.

	2022 £000	2021 £000
At 1 April	812	912
Movement during the year (note 11)	(66)	(100)
At 31 March	746	812

	2022 £000	2021 £000
Intangibles deferred tax	758	845
Deferred tax asset – India	(12)	–
Deferred tax asset – Sweden	–	(33)
Total recognised deferred tax liability	746	812

26. Deferred tax (continued)

Unrecognised deferred tax asset

	2022 £000	2021 £000
Accelerated capital allowances	(3)	(3)
Short term timing differences	(2)	(11)
R&D intangible	103	31
Share options	(27)	–
Losses	(9,646)	(7,524)
Total unrecognised deferred tax asset	(9,575)	(7,507)

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

27. Other non-current liabilities

	2022 £000	2021 £000
Other payables	38	–

The other non-current liabilities relate to CyanConnode Private Limited in relation to employment obligations.

28. Share capital

Issued and fully paid, ordinary shares of 2.0 pence each	No	£000
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
Issue of new shares	49,566,137	991
As at 31 March 2022	236,309,035	4,726

In the year, shares were issued at prevailing market prices as settlement for professional services provided. £4,710 was raised this way during the year (2021: £118,700).

In June 2021 the Company successfully raised funding of £3.15m before expenses through a placing of 33,170,076 ordinary shares. In March 2022 the Company successfully raised further funding of £2m before expenses through a placing of 14,285,718 ordinary shares.

During the year 201,250 shares were issued as a result of the exercise of share options (2021: none). The Company has one class of ordinary share which carries no right to fixed income.

29. Share premium account

Amount subscribed for share capital in excess of nominal value.

30. Own shares held

	Group £000	Company £000
Balance at 31 March 2021 and 1 April 2020 (9,467,256 ordinary shares of 2.0 pence per share)	(3,253)	–
Issue of new shares (1,838,268 ordinary shares of 2.0 pence per share)	(358)	–
Balance at 31 March 2022 (11,305,524 ordinary share of 2.0 pence per share)	(3,611)	–

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

31. 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.

32. Translation reserve

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

33. Retained losses

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

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

Group	2022 £000	2021 £000
Operating loss for the year:	(1,017)	(2,685)
Adjustments for:		
Depreciation of property, plant and equipment	31	30
Amortisation of Intangible assets	432	421
Depreciation on right of use assets	153	176
Foreign exchange	20	(15)
Shares issued in lieu of bonus	5	119
Share-option payment expense	363	80
Operating cash flows before movements in working capital	(13)	(1,874)
Decrease in inventories	52	97
Increase in receivables	(2,054)	(2,463)
(Decrease)/increase in payables	(1,568)	2,468
Cash reduction from operating activities	(3,583)	(1,772)
Income taxes received	449	795
Net cash outflow from operating activities	(3,134)	(977)

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.

35. 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.

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 31.

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

	2022		2021	
	Number of share options	Weighted average Exercise price (in £)	Number of share options	Weighted average Exercise price (in £)
Outstanding at beginning of year	24,400,486	0.22	21,013,514	0.35
Granted during year	21,622,674	0.17	5,448,965	0.10
Exercised during the year	(201,250)	0.13	–	–
Modifications during the year	(7,908,277)	0.40	–	–
Forfeited during year	(3,644,993)	0.25	(2,061,993)	0.14
Outstanding at the end of the year	34,268,640	0.19	24,400,486	0.22
Exercisable at the end of the year	12,909,681	0.24	9,807,499	0.10

The options outstanding at 31 March 2022 had a weighted average exercise price of £0.19 (2021: £0.22 and a weighted average remaining contractual life of 65 months (2021: 72 months). The options outstanding at year end had exercise prices ranging from £0.10 to £0.84.

In the year to 31 March 2022, options were granted on 8 April 2021; 22 June, 25 June and 30 June 2021, 5 January and 31 January 2022. The aggregate of the estimated fair value of those options is £1,266,099. In addition, on 10 November 2021 and 17 December 2021, 7,908,277 options and JSOP shares granted in previous years were cancelled and replaced with new options and JSOP shares with an incremental fair value of £408,062. This incremental fair value has been accounted for as a modification and is being spread over the vesting period of the new options.

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.

A share option charge of £362,903 (2021: £80,245) was recognised during the year.

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

	2022	2021	2020
Weighted average share price	18.65p	10.00p	6.45p
Weighted average exercise price	17.67p	10.00p	12.00p
Expected volatility	77%	80%	66%
Expected life	4 years	6 years	4 years
Risk free rate	1.30%	0.10%	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 48 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.

35. Share based payments (continued)

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.

Details of the share warrants outstanding during the year are the same for 2022 as for 2021:

	2022		2021	
	Number of warrants	Weighted average Exercise price (in £)	Number of warrants	Weighted average Exercise price (in £)
Outstanding at beginning of year	341,605	0.54	341,605	0.54
Outstanding at the end of the year	341,605	0.54	341,605	0.54
Exercisable at the end of the year	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 48 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.

36. 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 year	2022 £000	2021 £000	2022 £000	2021 £000
Financial assets				
Classified as amortised cost				
Trade receivables	6,061	5,115	–	–
Intercompany receivables	–	–	438	445
Other debtors	106	114	1,731	592
Contract assets	600	–	–	–
Cash and cash equivalents	2,355	1,489	1,618	190
Total financial assets	9,122	6,718	3,787	1,227
Financial liabilities				
Classified as amortised cost				
Trade payables	955	1,888	74	87
Other payables	73	147	–	5
Short-term borrowings	1,867	2,118	900	785
Lease liabilities	153	98	–	–
Total financial liabilities	3,048	4,251	974	877

36. 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 2022

		Contractual Cash Flows			
	Carrying Amount £000	Total £000	1 – 12 months £000	1 – 2 years £000	2 – 5 years £000
Non-derivative financial liabilities					
Trade payables	**955**	**(955)**	(955)	–	–
Other payables	**73**	**(73)**	(73)	–	–
Short-term borrowing	**1,867**	**(1,867)**	(1,867)	–	–
Lease liabilities	**153**	**(182)**	(38)	(38)	(106)
Total	**3,048**	**(3,077)**	(2,933)	(38)	(106)

As at 31 March 2021

		Contractual Cash Flows			
	Carrying Amount £000	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**	**(2,118)**	(2,118)	–	–
Lease liabilities	**98**	**(98)**	(98)	–	–
Total	**4,251**	**(4,251)**	(4,251)	–	–

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 22 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 £61,030,804 (2021: £57,919,855). In addition, the Company has made a total provision of £2,151,858 (2021: £2,423,135) 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 November 2021. Since the Group holds no collateral, the maximum exposure to credit risk is the carrying value of trade receivables.

36. 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 37 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 2022 exchange rate.

	INR £000	SEK £000
Fixed assets	14	415
Current assets	8,297	188
Current liabilities	(3,139)	(74)
Net assets	5,172	529

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 2022 £000	March 2021 £000
Indian Rupee	880	702
Swedish Krona	37	15

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.

NOTES TO THE FINANCIAL STATEMENTS

36. Financial instruments and risk management (continued)

Year ended	March 2022 £000	March 2021 £000
Indian Rupee	(233)	(374)
Swedish Krona	(40)	(41)

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.

37. Related Party Transactions

Board members

Please refer to page 37 of the Directors' Report for a full list of directors who served in the year. During the year, 1,446,992 (2021: 3,031,998) newly issued shares were purchased by the directors of the Company for £186,000 (2021: £156,500).

During the year, the Company paid fees of £262,500 (2021: £157,500) in respect of services provided by directors. The balance outstanding at the year end was £54,000 (2021: £39,640). Please see page 33 for the Directors' Remuneration Report for further information.

During the year, the loan of £400,000 (2021: £400,000) from two Directors (2021: two) in assisting with working capital remained in place. The loan is extended, of which £100,000 to April 2022 and £300,000 may continue on a rolling month by month basis. Interest is charged at 13.5% per annum. During the year interest of £54,000 (2020: £18,000) was incurred and a balance of £Nil (2021: £3,375) 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	Connode AB £000	CyanConnode Limited £000	CyanConnode Pvt Limited £000
Loans to related parties				
Balance as at 31 March 2021	404	37	–	4
Cash advances/(repayments)	–	–	3,111	–
Impairment provision	–	–	(3,111)	–
Loss on foreign exchange revaluation	(7)	–	–	–
Balance as at 31 March 2022	397	37	–	4

CyanConnode Holdings plc makes a management charge for services rendered to CyanConnode Limited. In the year to 31 March 2022 these amounted to £49,000 (2021: £137,000).

FINANCIAL STATEMENTS

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