This announcement contains inside information

25 November 2020

Calnex Solutions plc

("Calnex", the "Company" or the "Group")

Interim Results

Calnex Solutions plc (AIM: CLX) provides test and measurement solutions for the global telecommunications sector and is pleased to announce its unaudited results for the six months ended 30 September 2020 ("H1 FY21" or the "Period").

Financial Highlights

£000	H1 FY21	H1 FY20	FY20	H1 YOY % change
	Unaudited	Unaudited	Audited	
Revenue	**7,721**	5,655	13,739	+37%
Underlying EBITDA [1]	**2,593**	1,532	4,157	+69%
Adjusted Profit before tax[2]	**2,319**	1,223	3,536	+90%
Adjusted basic EPS (pence) [3,4]	**3.02**	1.58	4.58	+91%
Adjusted diluted EPS (pence) [3,4]	**2.42**	1.26	3.66	+91%
Closing cash (prior to IPO proceeds)	**4,511**	1,514	3,664	
Statutory measures:				
EBITDA	**3,424**	2,343	5,788	+46%
Profit before tax	**1,950**	1,137	2,980	+71%
Basic EPS (pence) [4]	**2.41**	1.45	3.81	+66%
Diluted EPS (pence) [4]	**1.93**	1.16	3.05	+66%

- Strong order inflow and revenue growth, reflecting continued strong demand across all the Group's product offerings.
- Profitability increased as a result of higher revenue and benefited from reduced travel and events costs as a result of COVID-19.
- Positive cash generation in the Period as a result of the strong trading performance, supplemented by receipt of IPO proceeds post Period end.
- Successful fundraise and admission to AIM in October 2020, raising £22.5m in total funds, resulting in net funds of £5m for the business and providing the platform for future growth.
- The outstanding debt of £1.9m was fully repaid on 6 October 2020 and the Company is now debt-free. A £3m Revolving Credit Facility with Barclays is now in place, currently undrawn.

Operational Highlights

- Ongoing transition of the telecoms industry to 5G and the growth of cloud computing, continue to drive a need for high value test instrumentation.
- Continued high levels of revenue from repeat customers, supplemented by growth in customer numbers.
- Investment in R&D continues across all three product families, resulting in platform enhancements due for release in H2 FY21 and FY22.
- Expansion of Calnex's Business Development and R&D teams accelerated, to support the growth of the Company's product offering and capitalise on available opportunities.
- Supply chain has proven resilient during the period of COVID-19 related uncertainty, with no interruption to the availability of components or to the operations of our manufacturing partner. All customer shipments have been made without interruption.

Outlook

- Favourable telecoms market conditions continue into H2 FY21.
- The exponential growth of data creation and migration of industries to cloud computing, along with the long-term transition of the telecoms industry to 5G, continue to drive a need for new test instrumentation, presenting the Company with significant, long-term growth opportunities.

- With the strong growth in revenue from FY20 continuing throughout FY21 to date, and with order intake strong, the Board anticipates that the Company's financial performance for FY21 will be ahead of current market expectations and that revenue and adjusted profit before tax in the second half of the year will be broadly in line with H1 FY21.

Tommy Cook, Chief Executive Officer and founder of Calnex, said:

"We are delighted to report on another strong period of trading, delivered in the lead up to our IPO on AIM, in which we experienced continued strong demand across all our product offerings. Our successful IPO, completed in early October, has provided us with the springboard to execute on our growth strategy. The strength of our relationships within the telecoms sector, breadth of customer base and established market position, provide us with a strong platform for future growth. We will continue to invest in business development and R&D to capitalise on the opportunities arising from the evolution of the telecoms market and look to the future with confidence. "

[1] *EBITDA including R&D amortisation, adjusted to exclude discontinued operations, IPO costs and share based payments*

[2] *Adjusted to exclude discontinued operations, IPO costs and share based payments*

[3] *Adjusted to exclude discontinued operations, IPO costs and share based payments and the tax effect of these adjustments*

[4] *The weighted average number of shares in the EPS calculation at note 10 reflects a position as though the total number of Ordinary Shares of 60,024,103 (and outstanding share options and warrants of 14,975,897) were in issue throughout both half-year reporting periods and the year ended 31 March 2020. This retrospective treatment for the H1 FY20 and FY20 comparatives is required because there was no corresponding change in the Company's economic resources as a result of the share capital reorganisation which took place in September 2020.*

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Overview of Calnex

Calnex designs, produces and markets test instrumentation and solutions for network synchronization and network emulation, enabling its customers to validate the performance of the critical infrastructure associated with telecoms networks. To date, Calnex has secured and delivered orders to over 600 customer sites in 68 countries across the world. Customers include Ericsson, Nokia, BT, China Mobile, NTT, Intel, Qualcomm, IBM and Facebook.

Founded in 2006, Calnex is headquartered in Linlithgow, Scotland, with additional locations in Belfast, Northern Ireland and California in the US, supported by sales teams in China and India. Calnex has a global network of partners, providing a worldwide distribution capability.

Operational Review

Introduction

We are delighted to report on H1 FY21, which was a positive trading period for the Company, delivering growth ahead of our initial expectations as we entered the year, while preparing for Calnex's IPO on AIM and responding to the impact of COVID-19 on working practices. We have experienced continued strong demand across all three areas of our product range, our three geographic markets and both our telecoms and cloud computing market sectors, once again benefiting from high levels of repeat demand from our existing customers. This has resulted in revenue growth in H1 FY21 of 37% to £7.7m (H1 FY20: £5.7m) and underlying EBITDA growth of 69% to £2.6m (H1 FY20: £1.5m). As a result of the strong trading performance and savings in travel and events costs as a result of COVID-19, the Group generated £0.9m of cash in the Period after continued investment in product development, compared with a £0.4m net decrease in cash in H1 FY20. This delivered a Period end closing cash figure of £4.5m, which was supplemented post Period end with £5m from the net proceeds of the IPO.

The Company transitioned smoothly to remote working in March 2020, on a temporary basis for the time being, and Calnex has experienced growth in orders and revenue despite COVID-19. Accordingly, the Board expects the Company's financial performance for FY21 will be ahead of current market expectations and that revenue and adjusted profit before tax in the second half of the year will be broadly in line with H1 FY21.

The majority of the Company's customers' investment projects have continued, although this situation may still change in the second half of FY21 and will be monitored on a customer by customer basis. Calnex's even geographic spread of customers has contributed to our business resilience, with the Company's team in China already reporting a return to 'business as usual'.

While COVID-19 may continue to cause some short-term change in customer spending patterns, the ongoing changes in the telecoms and cloud computing markets continue to drive change in our markets, thereby increasing the need for new test solutions. The Company continued to invest in the expansion of its Business Development and R&D teams during the Period, to capitalise on these growth opportunities.

Significantly, during the Period, we prepared for, and completed, a successful fundraise alongside Calnex's admission to AIM in October, which will provide a platform for the continued execution of our growth strategy.

Market Opportunity

Critical to the creation of opportunities for Calnex and the test and measurement sector in general, is change. The introduction of new equipment, standards and network architectures produce the need for test equipment to prove performance and conformance. The demands placed on the telecoms networks by end users continues to grow, requiring the industry to develop innovative new technology to deliver new and additional capability, at price points that enable the network operators to generate profit.

At present, the telecoms industry is seeing significant levels of change resulting from major evolutionary trends affecting the global telecoms market. The migration of the mobile networks to 5G, the emergence of the Internet of Things, the exponential growth of data creation and the shift to using cloud computing are all agents of change to the structure of telecom networks around the world. These factors are expected to drive considerable growth in the test market, with the global market for telecoms test and measurement equipment for mobile networks alone forecast by Frost & Sullivan to expand at a CAGR of 11.5 per cent from 2020 through to 2024. Meanwhile, Technavio reports that the global Ethernet test equipment market is expected to grow at a CAGR of 11 per cent to USD 2.85 billion by 2022, further reinforcing the market opportunity for Calnex.

Various industry reports suggest that COVID-19 has had little detrimental impact on the telecoms network infrastructure markets thus far through 2020. Whilst there may well be pockets of impact on subsets of the market, fundamentally the Board believes that the pandemic has highlighted the world's requirement for robust, fast broadband and resilient telecoms networks and infrastructure.

The Company intends to continue to develop innovative product offerings to capitalise on the opportunities created by the ongoing expansion of the telecoms and cloud markets and generate sustainable revenue growth.

Strategy

Calnex has a three-pronged growth strategy to capitalise on the structural growth drivers in the telecoms market.

1. <u>Continued product innovation to capitalise on the 5G vision</u>
   Calnex is focused on the design validation, conformance test and maintenance test phases of the telecoms development life-cycle. These are high value niches due to their position at critical points in the development life-cycle, requiring high capability and high-value test equipment. The Company's principal focus will remain on developing new features and

products in Calnex's core markets, where it has already created a strong market position and where there is limited competition.

2. Expand within the Cloud Computing sector and other market niches
In addition to continuing to develop new features and products in Calnex's core Network Emulation markets and focusing on the design validation and network validation life-cycle phases of equipment used to build Ethernet transmission networks, the Board anticipates that additional opportunities can be identified in adjacent markets where the products and solutions that Calnex currently offers can be deployed to broaden the Company's addressable market. Development of cloud computing infrastructure and the services it provides will undoubtedly create new opportunities for test equipment and we will seek to identify opportunities for new test and measurement equipment in these emerging markets.

3. Target select M&A opportunities to add to the Company's product portfolio
With a proven track record of identifying and targeting attractive market niches, and experience in successfully integrating bolt-on acquisitions, Calnex is well positioned to capitalise on opportunities to acquire new products or technologies which could be enhanced by applying the Company's technical skills, operational capabilities and distribution channels. Acquisition targets are expected to be located in related or adjacent growth markets, supplementing future organic growth, and meeting stringent investment criteria.

Innovation

Calnex has a market-leading suite of product platforms which are currently delivering test and measurement solutions to customers across the world. With the 5G vision supporting a rapidly evolving test and measurement sector, along with the further opportunities emerging from the move to software defined networks (SDN) and cloud-computing, Calnex is developing its current product lines in line with its existing customers' needs, following the trends to higher transmission rates and tracking new standards. Aligned to the comment earlier regarding certain customers' spending patterns changing as a result of COVID-19, the Board was encouraged that some customers brought forward orders from H2 to H1 for a new capability due for release on our Lab Sync product platform in H2. The Board believes this is strong confirmation of the market demand for this new release.

Another area of focus for Calnex is the identification of additional opportunities, in adjacent and new markets, where the Company's current products and solutions can be deployed to broaden its addressable markets. One such example is the ongoing development of a new Virtual SNE (network emulation) product, targeting engineering teams in large enterprises that develop their own customer applications with cloud computing environments (such as banks and retailers).

Sales & Marketing

Calnex has established a global network of regional distributors and channel partners, providing the Company with worldwide reach for its products. This approach has proven highly efficient and enables Calnex's staff to focus on R&D, IP and product development.

During the Period the Company has experienced continued, steady growth in orders across its distribution network, with its Indian partners performing particularly strongly in the Period. The Company also saw the benefit of an increased focus on its Cloud & IT distribution partners, with an increased focus on training and development resulting in good order inflow. As the Company heads into the second half of FY21, it does not anticipate any significant changes to its distribution network.

The Company continues to benefit from its strong relationship with its manufacturing partner, Kelvinside Electronics, a specialist manufacturer of advanced electronic products, located in Kilsyth, Scotland. Manufacturing at the facility has continued throughout the period of the COVID-19 pandemic, with the location adhering to all government guidelines and taking all necessary steps to maintain a COVID-safe environment. To date, there has been no impact from COVID-19 on the supply of raw materials for Calnex's products and all customer shipments have been made without interruption.

People & Values

At the heart of Calnex's success to date lies its talented people. Through the Company's close connections within the telecoms industry, its understanding of the evolution of the market, and the skill of its engineers, Calnex has ensured its products have consistently delivered for the Company's customer base. Hiring new talent, providing valuable training and development, and a rewarding place to work, has been, and always will be, a priority for the business.

Through the course of the Period, eight design engineers were hired across Calnex's hardware and software teams, one field application engineer in the USA and a financial controller in the UK. A further ten positions are open to be filled in H2, following the plan communicated at the time of our IPO, across Business Development and R&D.

While COVID-19 has had a detrimental impact on many people and economies around the world, it has also forced many businesses to think differently about where their teams are based and how much they need to be in the office. Calnex is embracing these changes, having experienced the positive impact flexible and remote working has had in creating greater inclusivity between

Calnex's international locations. The Company's HR team has gone to great lengths to ensure Calnex's employees have remained connected as a workforce, through an ongoing programme of 'non-work' social contact and casual work engagements, in order to ensure those vital informal conversations between colleagues can continue to take place. Virtual coffee breaks and group exercise classes have all helped provide structure to the working day and helped maintain a work-life balance.

Calnex's IPO has provided us with the structure to further incentivise our teams and we were delighted to have initiated our employee share ownership schemes following the IPO.

Outlook

Calnex continues to benefit from the transition of the telecoms industry to 5G and the growth of cloud computing, creating a need for high value test instrumentation.

While there may still be impacts from COVID-19 related reactions, the Company has seen revenue growth continue throughout 2020 and order intake in Q3 continues to be strong. The Board anticipates that the Company's financial performance for FY21 will be ahead of current market expectations and that revenue and adjusted profit before tax in the second half of the year will be broadly in line with H1 FY21.

Financial Review

The Group delivered a strong financial performance in the six months to 30 September 2020, with healthy growth in revenue, underlying EBITDA and adjusted profit before tax, resulting in a positive cashflow for the half year and providing a solid financial platform from which to commence life as a public company.

Key performance indicators

£000	**H1 FY21**	**H1 FY20**	**FY20**
Revenue	**7,721**	5,655	13,739
Gross Profit	**6,031**	4,517	10,622
Gross Margin	**78%**	80%	77%
Underlying EBITDA [1]	**2,593**	1,532	4,157
Underlying EBITDA %	**34%**	27%	30%
Adjusted Profit before tax [2]	**2,319**	1,223	3,536
Adjusted Profit before tax %	**30%**	22%	26%
Closing cash	**4,511**	1,514	3,664
Capitalised R&D	**1,484**	1,379	2,882
Adjusted basic EPS (pence) [3,4]	**3.02**	1.58	4.58
Adjusted diluted EPS (pence) [3,4]	**2.42**	1.26	3.66
Statutory measures:			
EBITDA	**3,424**	2,343	5,788
EBITDA %	**44%**	41%	42%
Profit before tax	**1,950**	1,137	2,980
Profit before tax %	**25%**	20%	22%
Basic EPS (pence) [4]	**2.41**	1.45	3.81
Diluted EPS (pence) [4]	**1.93**	1.16	3.05

[1] *EBITDA including R&D amortisation, adjusted to exclude discontinued operations, IPO costs and share based payments*

[2] *Adjusted to exclude discontinued operations, IPO costs and share based payments*

[3] *Adjusted to exclude discontinued operations, IPO costs and share based payments and the tax effect of these adjustments*

[4] *The weighted average number of shares in the EPS calculation at note 10 reflects a position as though the total number of Ordinary Shares of 60,024,103 (and outstanding share options and warrants of 14,975,897) were in issue throughout both half-year reporting periods and the year ended 31 March 2020. This retrospective treatment for the H1 FY20 and FY20 comparatives is required because there was no corresponding change in the Company's economic resources as a result of the share capital reorganisation which took place in September 2020.*

The table below shows the reconciliation between the statutory profit figures to the alternative performance measures:

Reconciliation of statutory figures to alternative performance measures

	H1 FY21 Unaudited £000	H1 FY20 Unaudited £000	FY20 Audited £000
Revenue	**7,721**	5,655	13,739
Cost of sales	**(1,689)**	(1,138)	(3,116)
Gross Profit	**6,031**	4,517	10,622
Other income	**103**	157	549
Administrative expenses (excluding depreciation & amortisation)	**(2,710)**	(2,331)	(5,384)
EBITDA	**3,424**	2,343	5,788
Amortisation of development costs	**(1,200)**	(898)	(2,186)
Add back exceptional items:			
IPO costs	**171**	-	-
Share based payments	**198**	28	55
Loss from discontinued operations	**-**	59	500
Underlying EBITDA	**2,593**	1,532	4,157
Other depreciation & amortisation	**(135)**	(127)	(282)
Operating Profit	**2,458**	1,405	3,875
Finance costs	**(139)**	(181)	(339)
Adjusted profit before tax	**2,319**	1,223	3,536
Exceptional items	**(369)**	(87)	(555)
Profit before tax	**1,950**	1,137	2,980
Tax	**(505)**	(264)	(693)
Profit for the period	**1,444**	873	2,287

Revenue

Revenue recognised in H1 FY21 totalled £7.7m, representing 37% growth on H1 FY20 revenue of £5.7m. Order intake and revenue increased across all three product lines and all customer segments, in comparison to the first half of the prior year, continuing the trend from H2 FY20.

Gross Margin

Gross margin in the Period was 78% (H1 FY20: 80%) and was in line with FY20 gross margin for the continuing business. Gross margin is calculated after discounts to channel partners are applied. Gross margins can fluctuate through the year depending on the mix of products and the mix of the hardware and software bundles, so can differ when comparing periods. This variability in product mix is driving the variance in the gross margin in H1 FY21 (78%) compared to H1 FY20 (80%).

Underlying EBITDA

Underlying EBITDA, which includes R&D amortisation and is adjusted to exclude discontinued operations, IPO costs and share based payments, increased by 69% to £2.6m in the Period (H1 FY20: £1.5m) as a result of the strong trading performance.

Adjusted overheads (overheads excluding IPO costs, share based payments and discontinued operations) were £2.3m in H1 FY21 (H1 FY20: £2.2m). The increase predominantly relates to higher sales team commissions and bonuses in line with trading performance, offset by £0.3m in savings in travel and events costs as a result of COVID-19, as the majority of staff, including sales staff, are now all working from home during the pandemic.

Share based payments of £0.2m (H1 FY21: £0.03m) relate to the share options in issue at 30 September 2020. The vesting of the options was conditional on a change in control such as a trade sale or initial public offering and were accrued at the Period end in preparation for the listing on 5 October 2020. As these costs relate to the IPO event they are classed as one-off in nature and shown as exceptional costs.

IPO fees incurred during the Period were £0.2m. These are treated as exceptional in nature in H1 FY21. Total IPO fees were £1.0m (on the total funds raised of £22.5m) with the balance being incurred at or after the IPO on 5 October 2020.

Amortisation of R&D costs increased by £0.3m in H1 FY21 compared to H1 FY20 as a result of increases in R&D investment in H2 FY20 and H1 FY21. R&D cost amortisation was £1.2m in the Period (H1 FY20: £0.9m).

Tax

The tax charge for the Period was £0.5m (H1 FY21: £0.3m) representing an effective tax charge of 25.9% (H1 FY21: 23.2%). The increase in the effective tax rate in the Period is due to the higher than normal level of disallowable items applied to the tax charge as a result of the IPO and share based payments costs. Excluding the effect of the higher level of disallowable items, the underlying rate is in line with prior year levels and we expect the rate to revert to prior year levels going forward.

Profit before tax

Profit before tax adjusted to exclude IPO costs, share based payments and discontinued operations was £2.3m in the Period (H1 FY21 £1.2m).

Earnings per share

Adjusted basic earnings per share was 3.02 pence in the Period (H1 FY20: 1.58 pence) and Adjusted diluted earnings per share was 2.42 pence in the Period (H1 FY20: 1.26 pence).

As at 31 March 2020, the Company had 248,135 Ordinary Shares in issue. To prepare for listing on AIM, the Company's share capital was reorganised in September 2020 through bonus issues of shares and a share split, taking the total number of Ordinary Shares in issue to 60,024,103.

The weighted average number of shares in the earnings per share calculation at note 10 reflects a position as though the total number of Ordinary Shares of 60,024,103 (and outstanding share options and warrants of 14,975,897) were in issue throughout both half-year reporting periods and the year ended 31 March 2020. This retrospective treatment for the H1 FY20 and FY20 comparatives is required because there was no corresponding change in the Company's economic resources as a result of the share capital reorganisation which took place in September 2020.

Adjusted EPS excludes discontinued operations, IPO costs and share based payments and the tax effect of these adjustments. The IPO costs and share based payments are treated as disallowable items for the purposes of the tax charge calculation, and as a result, the tax effects of these adjustments in the Adjusted EPS calculation is already built in to the tax charge and have not been applied as separate adjustments to the Adjusted EPS calculation.

Cashflows

As a result of the strong trading performance in the Period, the Group generated £0.9m cash in H1 FY21 compared with a £0.4m net decrease in cash in H1 FY20.

Net cash generated from operations was £2.8m in the Period (H1 FY20: £1.4m), representing 81% of EBITDA conversion to cash (30 September 2019: 59%).

Cash used in investing activities is predominantly cash spent on R&D activities which is capitalised and amortised over five years. Cash spend on R&D in the Period was £1.5m (H1 FY20: £1.4m). Cash spend on financing activities in the Period was £0.4m (H1 FY20: £0.3m), largely driven by the monthly capital repayments on the ThinCats loan, offset partially by cash received from government grants.

The outstanding balance on the ThinCats loan was £1.9m at the end of the Period (H1 FY20: £2.5m). This balance was redeemed in full on 6 October 2020. On 6 November 2020, a £3m Revolving Credit Facility provided by Barclays was put in place and is currently undrawn.

Closing cash at 30 September 2020 was £4.5m (30 September 2019: £1.5m; 31 March 2020: £3.7m).

Post balance sheet event

The Company's Ordinary Shares were admitted to the AIM market of the London Stock Exchange on 5 October 2020.

The number of Ordinary Shares in issue at 30 September 2020 was 60,024,103. Immediately prior to admission, 14,975,897 Ordinary Shares were issued to option and warrant holders, taking the total Ordinary Shares in issue prior to admission to 75,000,000.

12,500,000 new Ordinary Shares were issued and placed on admission, taking the total share capital in issue immediately following the placing to 87,500,000 Ordinary Shares of 0.125p each.

The placing price for the shares on admission was 48p. The total proceeds raised from the placing undertaken alongside admission was £22.5m, which comprised 34,375,000 shares sold on behalf of existing shareholders to raise £16.5m and 12,500,000 new shares issued to raise £6m (before expenses) for the Company. Total IPO fees were £1m, leaving net cash raised by the Company of £5m.

Calnex Solutions plc
Consolidated income statement
For the period ended 30 September 2020

	Note	6 months to 30 Sep 2020 (Unaudited) £	6 months to 30 Sep 2019 (Unaudited) £	Year ended 31 Mar 2020 (Audited) £
Revenue	5	7,720,615	5,655,343	13,738,839
Cost of sales		(1,689,233)	(1,138,375)	(3,116,403)
Gross profit		**6,031,382**	**4,516,968**	**10,622,436**
Other income		102,586	156,941	548,980
Administrative expenses		(4,045,466)	(3,355,988)	(7,852,344)
Operating profit		**2,088,502**	**1,317,921**	**3,319,072**
Presented as:				
EBITDA		**3,424,059**	**2,343,062**	**5,787,545**
Depreciation and amortisation of non R&D assets		(135,171)	(127,102)	(282,288)
Amortisation of R&D asset		(1,200,385)	(898,040)	(2,186,185)
Operating profit		**2,088,502**	**1,317,921**	**3,319,072**
Finance costs		(138,894)	(181,200)	(338,601)
Profit before taxation	7	**1,949,609**	**1,136,721**	**2,980,471**
Taxation	8	(505,285)	(264,140)	(693,282)
Profit and total comprehensive income for the year		**1,444,324**	**872,580**	**2,287,189**
Profit and total comprehensive income for the year attributable to:				
Continuing operations		1,444,324	931,637	2,787,682
Discontinued operations	9	-	(59,057)	(500,493)
		1,444,324	**872,580**	**2,287,189**
Basic earnings per share	10	2.41	1.45	3.81
Diluted earnings per share	10	1.93	1.16	3.05

Calnex Solutions plc
Consolidated statement of financial position
For the period ended 30 September 2020

	As at 30 Sep 2020 (Unaudited) £	As at 31 Mar 2020 (Audited) £
Non-current assets		
Intangible assets	7,009,393	6,778,757
Property, plant & equipment	18,851	20,681
Right of use assets	601,910	659,872
Deferred tax asset	250,479	553,797
	7,880,633	8,013,107
Current assets		
Inventory	1,225,525	958,334
Trade and other receivables	2,147,931	2,421,199
Corporation tax receivable	-	86,895
Cash and cash equivalents	4,511,197	3,663,878
	7,884,653	7,130,306
Total Assets	15,765,286	15,143,413
Current liabilities		
Borrowings	1,936,273	2,276,307
Trade and other payables	2,582,046	3,026,414
Lease liabilities	161,802	122,235
Financial liabilities	52,239	117,139
Provisions	298,482	289,020
	5,030,842	5,831,115
Non-current liabilities		
Trade and other payables	348,125	555,346
Lease liabilities	469,045	553,588
Deferred tax liabilities	1,260,085	1,188,262
Provisions	15,000	15,000
	2,092,255	2,312,196
Total Liabilities	7,123,097	8,143,311
Net assets	**8,642,189**	**7,000,102**
Equity		
Share capital	75,030	24,814
Share premium	1,138,007	1,138,007
Share option reserve	266,508	68,745
Retained earnings	5,718,320	3,481,347
Earnings for period	1,444,324	2,287,189
Total equity	**8,642,189**	**7,000,102**

Calnex Solutions plc
Consolidated statement of cashflows
For the period ended 30 September 2020

	6 months to 30 Sep 2020 (Unaudited) £	6 months to 30 Sep 2019 (Unaudited) £	Year ended 31 Mar 2020 (Audited) £
Cashflows from operating activities			
Profit before tax from continuing operations	1,949,609	1,195,778	3,480,964
Adjusted for:			
Finance costs	138,894	181,200	338,601
Foreign exchange differences	98,854	(103,477)	(94,284)
Government grant income	(102,587)	(156,941)	(220,245)
R&D tax credit income	-	-	(328,735)
Change in fair value of assets & liabilities		63,960	192,820
Move in obsolescence provision	89,020	(32,625)	5,814
Movement in provisions	9,462	10,250	43,950
Share based payment transactions	197,763	27,711	55,422
Depreciation	82,111	4,472	146,668
Amortisation	1,253,449	1,020,670	2,321,805
Movement in inventories	(356,211)	(3,069)	(190,996)
Movement in trade and other receivables	140,804	(302,090)	(355,654)
Movement in trade and other payables	(355,839)	(274,428)	706,601
Net cash used in discontinued operations	(201,854)	(59,057)	(298,639)
Cash generated from operations	2,943,475	1,572,354	5,804,092
Interest paid	(153,690)	(163,788)	(277,728)
Net cash from operating activities	**2,789,785**	**1,408,566**	**5,526,364**
Investing activities			
Purchase of intangible assets	(1,484,081)	(1,461,381)	(2,910,572)
Purchase of property, plant & equipment	(2,592)	(5,705)	(30,087)
Net cash used in investing activities	**(1,486,673)**	**(1,467,086)**	**(2,940,659)**
Financing activities			
Repayment of borrowings	(340,034)	(122,790)	(298,113)
Payment of lease obligations	(64,702)	(72,397)	(163,333)
Payment of deferred consideration	(82,536)	(224,036)	(413,664)
Government grant income	96,348	108,543	72,521
Net cash from financing activities	**(390,924)**	**(310,680)**	**(802,589)**
Net Increase in cash and cash equivalents	**912,188**	**(369,200)**	**1,783,116**
Cash and cash equivalents at the beginning of the year	3,663,878	1,852,091	1,852,091
Foreign exchange movements	(64,869)	31,467	28,671
Cash and cash equivalents at the end of the period	**4,511,197**	**1,514,358**	**3,663,878**

Calnex Solutions plc
Consolidated statement of changes in equity
For the period ended 30 September 2020

	Share Capital £	Share Premium £	Share Option Reserve £	Retained Earnings £	Total Equity £
Balance at 1 April 2019	24,814	1,138,007	13,323	3,481,347	4,657,491
Share options	-	-	27,711	-	27,711
Profit for 6 months to 30 September 2019	-	-	-	872,580	872,580
Balance at 30 September 2019	**24,814**	**1,138,007**	**41,034**	**4,353,927**	**5,557,782**
Share options	-	-	27,711	-	27,711
Profit for 6 months to 31 March 2020	-	-	-	1,414,609	1,414,609
Balance at 31 March 2020	**24,814**	**1,138,007**	**68,745**	**5,768,536**	**7,000,102**
Share options	-	-	197,763	-	197,763
Profit for 6 months to 30 September 2020	-	-	-	1,444,324	1,444,324
Total comprehensive income for the period	-	-	197,763	1,444,324	1,642,087
Bonus share issue	50,216	-	-	(50,216)	-
Balance as 30 September 2020	**75,030**	**1,138,007**	**266,508**	**7,162,644**	**8,642,189**

Calnex Solutions plc
Notes to the Interim Report
For the period ended 30 September 2020

1. General information

The financial statements cover the consolidated entity Calnex Solutions plc and the entities it controlled at the end of, or during, the interim period to 30 September 2020 ("the Group").

Calnex Solutions plc ("the Company") is a public limited company which was admitted to the AIM market of London Stock Exchange plc on 5 October 2020 and is domiciled and incorporated in Scotland.

The registered office is:
Oracle Campus
Linlithgow
West Lothian
EH49 7LR

The principal activity of the Group is that of the development and commercialisation of test and measurement solutions for next generation telecom networks.

2. Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 30 September 2020 has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting.

The financial information contained in this half-yearly financial report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. It does not therefore include all the information and disclosures required in annual financial statements and should be read in conjunction with the Group's Historical Consolidated Financial Information ("HFI") included within the Company's Admission Document for admission to the AIM market of London Stock Exchange plc.

The Company's 31 March 2020 annual financial statements were prepared under FRS 102. In preparation for admission to AIM, the Company underwent a transition to IFRS for the three year period from 1st April 2017 to 31 March 2020 which was then included in the Admission Document as the Group's HFI.

The following new and revised Standards and Interpretations were effective for the financial periods presented in the HFI and for this condensed consolidated interim financial report.

- IFRS 9 Financial Instruments
- IFRS 15 Revenue From Contracts With Customers
- IFRS 16 Leases
- Other revised interpretations, amendments and annual improvements to IFRSs
    - IFRS 2: Share Based Payments
    - IFRIC 22: Foreign Currency Transactions and Advance Consideration

    The adoption of these amendments has had no impact on the Group's accounting policies.

As a result of the IFRS transition adjustments, together with an alignment of accounting policies throughout the historical periods (including the 1 April 2017 opening balance sheet) a reconciliation between the profit before tax and net assets within the published FRS 102 annual financial statements and the Group's HFI included in the Company's Admission Document is shown below:

	Year ended 31 Mar 2020 £000	Year ended 31 Mar 2019 £000	Year ended 31 Mar 2018 £000
Profit after taxation			
Per FRS 102 published financial statements	772	2,093	(456)
HFI and IFRS conversion adjustments	1,515	48	1,206
Per HFI	2,287	2,141	750

	Year ended 31 Mar 2020 £000	Year ended 31 Mar 2019 £000	Year ended 31 Mar 2018 £000	Year ended 31 Mar 2017 £000
Net assets				
Per FRS 102 published financial statements	6,605	5,765	3,638	3,155
HFI and IFRS conversion adjustments	395	(1,108)	(1,121)	(1,485)
Per HFI	7,000	4,657	2,517	1,670

The financial information for the six months ended 30 September 2020 is unaudited.

3. Accounting policies

The interim financial report has been prepared and approved by the Directors in accordance with International Financial Reporting Standards and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") as adopted by the European Union ("IFRS").

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's HFI included within the Company's Admission Document for admission to the AIM market of London Stock Exchange plc.

4. Going concern

The Directors produce regular forecasts and, on the basis of these forecasts and the available cash and debt facilities discussed elsewhere in the interim statement, have considered it appropriate to prepare the interim financial information on a going concern basis.

The business has not seen any material impact on trading as a result of the COVID-19 pandemic and the Directors have not required the assistance of government funding to date. Appropriate safety measures have been put in place to protect staff while the Company continues to operate whilst adhering to government advice on stay at home directives across our various locations. The directors continue to closely monitor the situation, with rolling cashflow forecasting and visibility over the order pipeline being key to provide early indication of required action in order to mitigate against any future risk.

5. Operating segments

Operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers) in assessing performance and determining the allocation of resources. As the Group has a central cost structure and a central pool of assets and liabilities, the Board of Directors do not consider segmentation in their review of costs or the balance sheet. The only operating segment information reviewed, and therefore disclosed, are the revenues derived from different geographies.

	6 months to 30 Sep 2020 £	6 months to 30 Sep 2019 £	Year ended 31 Mar 2020 £
Americas	2,703,454	1,475,971	4,078,605
North Asia	2,145,048	2,398,843	6,788,321
ROW	2,872,113	1,780,529	2,871,913
Total revenue	7,720,615	5,655,343	13,738,839

6. Revenue

	6 months to 30 Sep 2020 £	6 months to 30 Sep 2019 £	Year ended 31 Mar 2020 £
Sale of goods	7,172,474	5,269,781	12,472,402
Rendering of services	548,141	385,562	1,266,437
Total revenue	7,720,615	5,655,343	13,738,839

7. Finance costs

	6 months to 30 Sep 2020 £	6 months to 30 Sep 2019 £	Year ended 31 Mar 2020 £
Interest expense for borrowings at amortised cost	119,842	162,699	277,728
Interest expense on lease liabilities	33,848	1,088	26,048
Unwinding on discount for deferred consideration	(14,796)	17,413	34,825
	138,894	181,200	338,601

8. Taxation

	6 months to 30 Sep 2020 £	6 months to 30 Sep 2019 £	Year ended 31 Mar 2020 £
Current taxation			
UK corporation tax on profits for the period	-	168,464	496,912
Foreign current tax expense	32,067	17,157	34,314
Deferred taxation			
Effect of timing differences	81,461	101,924	208,865
Tax losses	391,757	(23,405)	(46,809)
Taxation charge	505,285	264,140	693,282

There has been no Research and Development Expenditure Credit ("RDEC") income and corresponding asset recognised the 6 months to 30 September 2020. The trigger for recognition of this income is the composition and submission of the RDEC report which will be commenced in the second half of this year with the resultant RDEC income for the year being recognised in the accounts for the full year to 31 March 2021.

The Company currently carries a deferred tax asset, which arises on the recognition of unused losses. The movement in the deferred tax asset in the period reflects the reduction of this asset being offset against current trading profits as a consequence of the lower RDEC debtor at 30 September 2020.

The Company also carries a deferred tax liability, which arises on the recognition of timing differences on development costs.

9. Discontinued operations

On 6 May 2019, the Company acquired the trade and assets of a German-based business, Luceo Technologies GmbH, with the objective of entering the component and module test market. It was subsequently established that the development and investment period would be longer than anticipated and the decision was taken in the year to 31 March 2020 to cease operations to deploy resources more optimally within the core parts of the Group.

Calnex Solutions (Berlin) GmbH was put into liquidation from 31 December 2019 and will be fully liquidated in early January 2021. Calnex Solutions (Berlin) Limited (incorporated in April 2019) was dissolved on 22nd September 2020.

	6 months to 30 Sep 2020 £	6 months to 30 Sep 2019 £	Year ended 31 Mar 2020 £
Revenue	-	96,531	124,729
Cost of sales	-	(31,698)	(82,493)
Gross Profit	-	64,833	42,236
Administrative expenses	-	(123,890)	(542,729)
Finance costs	-	-	-
Loss before tax from discounted operations	-	(59,057)	(500,493)
Net decrease in cash equivalents from discontinued operations	(201,854)	(59,057)	(298,639)

10. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of Ordinary Shares in issue during the year.

Diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the total of the weighted average number of Ordinary Shares in issue during the year and adjusting for the dilutive potential Ordinary Shares relating to share options and warrants.

As at 31 March 2020, the Company had 248,135 shares. To prepare for admission to AIM, the Company's share capital was reorganised in September 2020 through bonus issues of shares and a share split taking the total number of shares to 60,024,103. These shares were issued without an increase in economic resources. The weighted average number of shares reflects a position as though the total number of shares of 60,024,103 were in issue throughout both half-year reporting periods and the year ended 31 March 2020.

The Company had outstanding share options and warrants which were converted to Ordinary Shares on 5 October 2020, resulting in an increase to the number of Ordinary Shares in issue of 14,975,897. These have been included in the weighted average number of shares for the diluted earnings per share calculation.

	6 months to 30 Sep 2020 £	6 months to 30 Sep 2019 £	Year ended 31 Mar 2020 £
Profit after taxation attributable to shareholders	1,444,324	872,580	2,287,189
Weighted average number of ordinary shares used in calculated:			
Basic earnings per share	60,024,103	60,024,103	60,024,103
Diluted earnings per share	75,000,000	75,000,000	75,000,000
Earnings per share – basic (pence)	2.41	1.45	3.81
Earnings per share – diluted (pence)	1.93	1.16	3.05

11. Intangible Assets

Included within intangible assets are the following significant items:

- Intellectual property representing the cost of patent applications and on-going patent maintenance fees.
- Capitalised development costs representing expenditure developing technological advancements to ensure the Group is at the forefront of technology and which fulfils the requirements of IAS 38 (Intangible Assets). These costs will be amortised over the future commercial life of the related product, commencing on the sale of the first commercial product. Amortisation is charged to administrative expenses.

	Intellectual property £	Development costs £	Total £
Cost			
Balance at 1 April 2020	2,342,356	23,732,486	26,074,846
Additions	-	1,484,081	1,484,081
Balance at 30 September 2020	2,342,356	25,216,567	27,558,927
Amortisation			
Balance at 1 April 2020	2,033,403	17,262,682	19,296,085
Charge for the period	53,061	1,200,388	1,253,449
Balance at 30 September 2020	2,086,464	18,463,070	20,549,534
Net book value			
At 30 September 2020	255,892	6,753,497	7,009,393

12. Property, plant and equipment

The Group annually reviews the carrying value of tangible fixed assets recognising the expected working lives of the plant and equipment available to the Group and known requirements. Depreciation is charged to administrative expenses.

	Plant & Equipment £
Cost	
Balance at 1 April 2020	167,738
Additions	2,592
Balance at 30 September 2020	170,330
Depreciation	
Balance at 1 April 2020	147,057
Charge for the period	4,421
Balance at 30 September 2020	151,478
Net book value	
At 30 September 2020	18,851

13. Leases

The Group has recognised a right-of use asset and a lease liability for the lease of land and buildings for its head office in Linlithgow, Scotland. The Group has applied a discount rate of 11% to this lease.

The Group leases IT equipment with contract terms ranging between 1 to 2 years. The Group has recognised right-of use assets and lease liabilities for these leases.

The Group also leases land and buildings in Belfast and one motor vehicle. These leases are low-value, so have been expensed as incurred. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below:

	Leases £
Right-of-use assets	
Balance at 1 April 2020	659,872
Additions to right-of-use assets	19,726
Depreciation charge for period	(77,690)
Balance at 30 September 2020	601,910
Lease liabilities	
Balance at 1 April 2020	675,823
Acquisition of new lease	19,726
Payment of lease expense	(98,550)
Interest on lease expense	33,848
Balance at 30 September 2020	630,847
Lease liability represented as:	
Current	161,802
Non-current	469,045
	630,847

14. Inventory

	As at 30 Sep 2020 £	As at 31 Mar 2020 £
Finished goods	1,567,994	1,211,783
Provision for obsolescence	(342,469)	(253,449)
	1,225,525	958,334

Group inventories reflect following movement in provision for obsolescence:

At the start of the period	253,449	247,635
Released	(98,128)	(132,270)
Provided	187,148	138,084
At the end of the period	342,469	253,449

15. Trade and other receivables

	As at 30 Sep 2020 £	As at 31 Mar 2020 £
Trade receivables	1,670,410	1,961,578
Less provision for bad debt	(15,938)	(15,938)
Other receivables	109,804	381,131
Prepayments and accrued income	383,655	94,428
	2,147,931	2,421,199

16. Borrowings

As at 30 September 2020, the Company had a secured bank loan with ThinCats Group which was drawn down in March 2018. The loan was split into two tranches. The first tranche of £1,995,000 was an amortising term loan over 5 years to March 2022 and the second was a bullet repayment in March 2022. The interest rate on both tranches was fixed at 11%.

The full balance became repayable in the event of a change in control. As a result, the HFI prepared for inclusion in the Company's Admission Document for admission to the AIM market of London Stock Exchange plc disclosed the full balance as a current liability.

The full balance of the loan was repaid on 6 October 2020 after the Company's admission to AIM on 5 October 2020.

	As at 30 Sep 2020 £	As at 31 Mar 2020 £
Amounts due within one year	1,936,273	2,276,307
Amounts due in more than one year	-	-
Total borrowings	1,936,273	2,276,307
Net cash is arrived at as follows:		
Total borrowings	(1,936,273)	(2,276,307)
Cash and cash equivalents	4,511,197	3,663,878
Total net cash	2,574,924	1,387,571

17. Trade and other payables

	As at 30 Sep 2020 £	As at 31 Mar 2020 £
Trade payables	909,186	999,363
Taxes	111,554	99,806
Other payables	49,944	42,587
Accruals	311,870	835,764
Deferred warranties	1,199,492	951,562
Deferred consideration	-	97,332
	2,582,046	3,026,414
Amounts due in more than one year		
Deferred income	348,125	555,346
	2,930,171	3,581,760

Deferred income relates to fees received for ongoing services to be recognised over the life of the service rendered.

18. Post balance sheet events

The Company's Ordinary Shares were admitted to trading on the AIM market of the London Stock Exchange on 5 October 2020.

The number of Ordinary Shares in issue at 30 September 2020 was 60,024,103. Immediately prior to admission, 14,975,897 Ordinary Shares were issued to option and warrant holders, taking the total Ordinary Shares in issue prior to admission to 75,000,000.

12,500,000 new Ordinary Shares were issued and placed on admission, taking the total share capital in issue immediately following the placing to 87,500,000 Ordinary Shares of 0.125p each.

The placing price for the shares on flotation was 48p. The total raised was £22,500,000, split £16,500,000 from existing shares sold and £6,000,000 from the new shares issued. Total IPO fees were just under £1,000,000, leaving net cash raised by the Company of just over £5,000,000.

The outstanding balance on the ThinCats loan of £1,936,273 was repaid in full on 6 October 2020. On 6 November 2020, a £3,000,000 Revolving Credit Facility provided by Barclays was put in place and is currently undrawn.

19. Availability of Interim Report

The Company's Interim Report for the six months ended 30 September 2020 will shortly be available to view on the Company's website (www.calnexsol.com).