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Calnex Solutions plc (the "Company"), and the Directors, whose names, business addresses and functions appear on page 4 of this document, accept responsibility, individually and collectively, in accordance with the AIM Rules for Companies, for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. To the extent that information has been sourced from a third party, this information has been accurately reproduced and, as far as the Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which may render the reproduced information inaccurate or misleading. In connection with this document, no person is authorised to give any information or make any representation other than as set out in this document.

This document, which comprises an admission document drawn up in accordance with the AIM Rules for Companies, has been issued in connection with the proposed admission of the issued and to be issued Ordinary Shares to trading on AIM, a market operated by the London Stock Exchange plc ("AIM"). This document does not contain an offer or constitute any part of an offer to the public within the meaning of sections 85 and 102B of FSMA or otherwise. This document is not an approved prospectus for the purposes of section 85 of FSMA and a copy of it has not been, and will not be, delivered to the Financial Conduct Authority (the "FCA") in accordance with the Prospectus Regulation Rules or delivered to or approved by any other competent authority.

A copy of this document will be available, free of charge, during normal business hours on any weekday (except Saturdays, Sundays and public holidays), at the Company's registered office, being Oracle Campus, Linlithgow, West Lothian, EH49 7LR, for a period of one month from the date of Admission. Neither the delivery of this document nor any subscription made pursuant to this document will, under any circumstances, create any implication that there has been any change in the affairs of the Company since the date of this document or that the information in this document is correct at any time subsequent to its date. Application will be made to the London Stock Exchange for the issued and to be issued Ordinary Shares to be admitted to trading on AIM ("Admission"). It is expected that Admission will take place and that dealings in Ordinary Shares will commence on 5 October 2020.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority (the "Official List"). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. In particular, it should be remembered that the price of securities and the income (if any) from them can go down as well as up. The AIM Rules for Companies are less demanding than those of the Official List. You should read the whole text of this document. You should be aware that an investment in the Company is speculative and involves a degree of risk.

All subsequent written and oral forward-looking statements attributable to the Company, its Directors or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this document.

Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nomads. It is emphasised that no application is being made for the Ordinary Shares to be admitted to the Official List or to any other recognised investment exchange. **Further, neither the London Stock Exchange nor the FCA has examined or approved the contents of this document.**

Calnex Solutions plc

(Incorporated and operating under the laws of Scotland with company registration number SC299625)

Placing of 12,500,000 new Ordinary Shares of 0.125 pence each and 34,375,000 Sale Shares of 0.125 pence each at 48.0p per Ordinary Share

Admission to trading on AIM

CENKOS

Nominated Adviser and Broker

Share Capital immediately following the Placing and Admission

Amount		Number
£109,375	Ordinary Shares of 0.125p each, issued and fully paid	87,500,000

The Placing is conditional, *inter alia*, on Admission taking place on or before 5 October 2020 (or such later date as the Company and Cenkos Securities plc ("**Cenkos**") may agree). The Placing Shares will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends or other distributions declared, paid or made after Admission.

Cenkos is authorised and regulated in the United Kingdom by the FCA and is advising the Company and no one else in connection with the Placing and Admission (whether or not a recipient of this document), and is acting exclusively for the Company as nominated adviser and broker for the purposes of the AIM Rules for Companies. Cenkos is not acting for, and will not be responsible to any person other than the Company for providing the protections afforded to its customers, nor for providing advice in relation to the Placing and Admission or the contents of this document. In particular, the information contained in this document has been prepared solely for the purposes of the Placing and Admission and is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) and accordingly no duty of care is accepted in relation to them. Cenkos' responsibilities as the Company's nominated adviser and broker under the AIM Rules for Nomads are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of such person's decision to acquire shares in the Company in reliance on any part of this document. Without limiting the statutory rights of any person to whom this document is issued, no representation or warranty, express or implied, is made by Cenkos as to the contents of this document. No liability whatsoever is accepted by Cenkos for the accuracy of any information or opinions contained in this document, for which the Directors are solely responsible, or for the omission of any information from this document for which it is not responsible.

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FORWARD-LOOKING STATEMENTS

This document includes "forward-looking statements" which include all statements other than statements of historical facts, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations, or any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "would, "could" or similar expressions or negatives thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of Calnex Solutions plc to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which Calnex Solutions plc will operate in the future. These forward-looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by applicable law or the AIM Rules for Companies.

CONTENTS

DIRECTORS, SECRETARY AND ADVISERS

Directors	George Reginald Elliott	*Non-Executive Chairman*
	Thomas (Tommy) Cook	*Chief Executive Officer*
	Ashleigh Joanne Greenan	*Chief Financial Officer*
	Ann Cochrane Cook Wallace Budge	*Non-Executive Director*
	Graeme Bissett	*Non-Executive Director*
	all of:	
Registered Office	Oracle Campus Linlithgow West Lothian EH49 7LR	
Nominated Adviser and Broker	Cenkos Securities plc 66 Hanover Street Edinburgh EH2 1EL and 6.7.8 Tokenhouse Yard London EC2R 7AS	
Solicitors to the Company as to UK law	Burness Paull LLP 50 Lothian Road Festival Square Edinburgh EH3 9WJ	
Reporting Accountants	RSM Corporate Finance LLP 25 Farringdon Street London EC4A 4AB	
Auditors to the Company	RSM Audit UK LLP Floor 2, Quay 2 139 Fountainbridge Edinburgh EH3 9QG	
Solicitors to the Nomad and Broker	Pinsent Masons LLP 141 Bothwell Street Glasgow G2 7EQ	
Registrars	Computershare Investor Services plc The Pavillions Bridgwater Road Bristol BS13 8AE	
Financial PR	Alma PR Limited 71-73 Carter Lane London EC4V 5EQ	
Company Contact Details	Tel: +44 (0)1506 671416 Email: info@calnexsol.com	
Company Website	www.calnexsol.com	

PLACING STATISTICS

Placing Price	48.0 pence
Number of Ordinary Shares in issue prior to the Placing	75,000,000
Number of Ordinary Shares being issued pursuant to the Placing	12,500,000
Number of Ordinary Shares being sold pursuant to the Placing	34,375,000
Number of Ordinary Shares on Admission	87,500,000
Percentage of the Enlarged Issued Share Capital being placed (including the Sale Shares)	53.6 per cent.
Estimated gross proceeds of the Placing receivable by the Company	£6.0 million
Estimated net proceeds of the Placing receivable by the Company	£5.0 million
Market capitalisation immediately following completion of the Placing at the Placing Price	£42.0 million
AIM 'ticker'	CLX
SEDOL	BMBK701
ISIN Number	GB00BMBK7016
LEI	213800GY6TURGL3HYT04

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication and despatch of this document	21 September 2020
Issue of the Placing Shares	5 October 2020
Admission effective and dealings in the Enlarged Issued Share Capital commences on AIM	8.00 a.m. on 5 October 2020
CREST accounts (where relevant) expected to be credited with the Placing Shares	5 October 2020
Share certificates (where relevant) expected to be despatched no later than	19 October 2020

References to time are to London (UK) time unless otherwise stated. Each of the dates in the above timetable is subject to change at the absolute discretion of the Company and Cenkos and without further notice.

PART I

INFORMATION RELATING TO THE COMPANY

1. Introduction

Calnex designs, produces and markets test and measurement instrumentation and solutions, enabling its customers to validate the performance of critical infrastructure associated with Telecoms networks. Calnex's head office is located in Linlithgow, Scotland and the Company sells its products internationally.

The Company has an established position in the test and measurement industry, providing its equipment to many of the world's leading Telecoms Network Operators (including BT, China Mobile and NTT), Equipment Vendors (including Ericsson and Nokia) and Component Manufacturers (including Intel and QualComm). It has also had success with Hyperscale companies (operating large data centres, such as Facebook and Google) and Large Enterprises (such as IBM and Walmart). To date, Calnex has secured and delivered orders to over 600 customer sites in 68 countries across the world. The Company has established a global network of partners to create a worldwide distribution capability. Manufacturing of the Company's products is outsourced to a high quality local partner.

Calnex provides sophisticated test platforms for Telecoms network synchronization and network emulation testing, primarily aimed at the design validation, conformance test and maintenance test stages of the Telecoms product development cycle. In what is a diverse and rapidly changing sector, the Company has a proven track record of developing innovative and advanced test and measurement solutions for its customers.

The global Telecoms network has evolved dramatically over the last 40 years and the scale of the challenges currently facing the Telecoms industry are significant. These include the mass roll out of 5G networks, which will be essential for the realisation of anticipated Smart Cities and Internet of Things (IoT) revolutions. The 5G vision for the Telecoms infrastructure is extremely complex and will see a long-term transformation of the Telecoms network, creating the need for test and measurement equipment to prove that new systems operate effectively and conform to rigorous international standards.

The Placing comprises the issue of 12,500,000 Placing Shares at the Placing Price, raising £6.0 million for the Company, and the sale of 34,375,000 Sale Shares at the Placing Price on behalf of the Selling Shareholders. The net proceeds raised from the issue of the Placing Shares (approximately £5.0 million), along with the Company's existing cash resources, will allow the Group to invest in business development and R&D resource, repay its existing debt facility and evaluate opportunities to acquire complementary technologies or businesses to expedite the Company's growth.

Further details of the Company's intended use of proceeds and the Placing are set out in paragraph 10 and paragraph 18 of this Part I respectively.

2. Key Strengths

The Directors believe the Company benefits from the following key strengths:

- Calnex has an established position in the test and measurement industry, providing its equipment to many of the world's leading Telecoms Network Operators, Equipment Vendors, Component Manufacturers and Hyperscale companies/Large Enterprises.
- Calnex has a proven track record of developing innovative and advanced test solutions for its customers. Calnex's products are often differentiated by their high specifications and the complexity of the product platforms. This has been achieved by delivering a strategy focused on R&D, IP and product development.
- Calnex has established a global network of partners to create a worldwide distribution capability.
- Calnex's close relationships with its customers, key regulatory bodies and leading market participants, provides valuable insight into its customers' technology roadmap and likely industry and regulatory developments, enabling Calnex to focus its R&D strategy and resources.

- Calnex's management team has experience in successfully integrating bolt-on acquisitions which benefit from access to the Company's global sales channels and advanced approach to product development.
- Calnex has a strong financial track record, delivering historical revenue CAGR since FY15 of approximately 16 per cent. The Company is profitable and cash generative, with a record order backlog going into FY21 and a strong sales pipeline.
- Calnex benefits from high levels of repeat revenues, with over 80 per cent. of its revenue over the last three years coming from repeat customers and an average length of engagement with its top ten customers in FY20 of nine years. The Company's top ten customers accounted for over 50 per cent. of revenues in FY20. In recent years the Company's top ten customers have included Non-Telecoms customers. In FY20, these Non-Telecoms customers represented 14 per cent. of the top ten customer revenue.
- The Telecoms industry is currently experiencing unprecedented levels of change as a result of major evolutionary trends affecting the global Telecoms market. The migration of the mobile networks to 5G, the emergence of the Internet of Things and the shift to using cloud computing are all agents of change to the structure of Telecom networks around the world. The Directors believe that Calnex has the potential to capitalise on the opportunities created by these changes, which are expected to generate sustainable growth in the future for the Company.
- The global market for Telecoms test and measurement equipment for mobile networks alone is forecast by Frost & Sullivan to expand at a CAGR of 11.5 per cent from 2020 through to 2024, and the Directors believe that the Company has the potential to capitalise on the opportunities created by this expansion and generate sustainable revenue growth in the near to medium term.
- Calnex has a range of test and measurement solutions ready to meet the early requirements of 5G market participants. The Company is well placed to evolve its current products, alongside the introduction of new products, to meet its customers' future requirements as the roll out of 5G progresses.

3. Group Structure, History and Development

Calnex was incorporated in Scotland on 27 March 2006 by CEO, Tommy Cook. Prior to founding the Company, Tommy spent 23 years in the Telecoms' test and measurement sector with Hewlett Packard and Agilent Technologies.

The Company was established to provide high-end test and measurement equipment to the Telecoms industry. Calnex's customers include many of the world's leading Telecoms Network Operators, Equipment Vendors, Component Manufacturers and Hyperscale companies/Large Enterprises.

In 2007, the Company's first product, Paragon, was launched to address an emerging need to test the synchronisation of telecoms base stations (such as the telecoms towers located roadside or on rooftops, which manage the radio connections to mobile phones). Synchronisation is now a critical element of network performance. Paragon focused on the design validation and international standards conformance test phases of customers' product development cycles.

Since this time, the importance of synchronisation has increased rapidly and it is now an essential part of the infrastructure of the mobile network. The ability to carry out effective synchronisation testing continues to be critical to measuring network performance, and will grow in importance with the evolution to 5G. Calnex has evolved its test capabilities alongside developments in the synchronisation sector and now has a range of sophisticated products to perform synchronisation testing.

In 2012, the Company expanded its portfolio through the release of a network emulation product, Attero, which is used to impair data traffic to verify that applications and transmission protocols can robustly respond to transmission problems across networks.

In 2013, Calnex acquired Sentinel, a technology operating as a portable platform for testing synchronisation during maintenance testing post-deployment. By expanding its portfolio, Calnex could offer test solutions from design through to post-deployment maintenance test and debug. Sentinel was subsequently updated for testing within the 4G mobile network and is currently being developed to meet the additional needs of 5G networks, with launch scheduled in 2021.

In 2017, Calnex formed an OEM (original equipment manufacturer) reseller agreement with JAR Technologies in Belfast. JAR Technologies had developed SNE, a PC-based network emulation solution offering multi-user capability for low bandwidth applications. This complemented the Company's established hardware-based Attero network emulation solution, which targets high-accuracy, high-performance applications.

In March 2018, Calnex acquired JAR Technologies, securing the IP relating to SNE and the company's development team. In the first year of trading post-acquisition, sales of SNE increased 5-fold due to the application of Calnex's operational expertise and utilisation of the Company's global sales channel. This expertise was used to improve the robustness and scalability of the engineering and manufacturability of the product, while the Company's global sales distribution network increased the serviceable market.

The Company operates a lean business model, with global distribution channels and manufacturing outsourced to a high quality local partner, enabling the business to focus on product development and IP. The management team has experience in successfully integrating bolt-on acquisitions which benefit from access to the Group's global sales channel and strong R&D expertise.

The technology utilised by the Telecoms industry has continually evolved and innovative products, services and testing solutions are regularly introduced by Calnex and other market participants. Calnex maintains collaborative relationships with its customers and the leading market participants, which provides the Company with valuable insight into its customers' technology roadmap and their future requirements.

The introduction of new products and services is heavily influenced by regulatory standards and the Company has established relationships in the Telecoms international standards community and with other regulatory bodies. The insight from these relationships enables Calnex to produce a demand-led offering in line with market developments, customers' future requirements and regulatory standards.

Calnex is recognised as an established provider of test and measurement solutions for verifying performance of synchronisation technology in the Telecoms Industry, as evidenced by its high quality customer base from whom repeat business has been generated over time.

The Company has a base in Belfast with a development team following the acquisition of JAR Technologies in 2018. Calnex also has an office in the US which manages the Company's sales channels, including sales teams in China and India, and supports customers throughout the world.

4. Industry Overview

The Telecoms industry is highly competitive and operates in an environment requiring innovative products, technologies and services to support investment in new digital infrastructure.

The industry comprises a number of key market participants. Equipment Vendors include companies such as Nokia, Ericsson, Cisco and Huawei, who develop hardware and software systems for deployment by Network Operators, such as BT, China Mobile and NTT, within their networks. Component Manufacturers, such as Intel, Broadcom and Qualcomm, sell components and sub-assemblies to Equipment Vendors, which are then built into their products. There are also Hyperscale/Large Enterprise entities, such as Facebook, Google and IBM, that build and create their own networks and equipment. All of the above named businesses are customers of Calnex.

Global Telecoms networks are extremely diverse and when changes to these networks are introduced it is vital that the new network conditions can be tested effectively both prior to and following technical deployment. The test and measurement sector is an integral part of the Telecoms industry as it enables market participants to develop, manufacture, deploy and maintain the Telecom equipment and networks. Calnex is focused on specific areas of the test and measurement sector within the Telecoms industry.

The global market for Telecoms test and measurement equipment in 2020 for mobile networks alone has been estimated by Frost & Sullivan to be around US$1.3 billion and is forecast to exceed US$2 billion by 2024, expanding at a CAGR of 11.5 per cent. Frost & Sullivan separately estimated the global high speed Ethernet Test Equipment market to be around US$1.3 billion in 2020 and forecast this market to grow to US$2 billion by 2024. These global markets can be split into segments aligned to the testing of specific technologies through the lifecycle of design, verification, installation and maintenance of equipment and networks. The segments into which the Company sells are described in more detail below.

Telecommunications and network standards

Standards are published documents that establish specifications and procedures designed to ensure the interoperability of equipment from multiple Equipment Vendors, the minimum performance of equipment and to define the core needs of networks. Telecoms standards are issued by numerous private and public sector bodies (domestic and international) and are relied upon by Telecoms Network Operators to ensure they can design, deploy and operate networks which deliver the performance and services their customers need.

Standards are critically important within the Telecoms industry as they act as the key driver for how networks will be developed. They establish the performance and testing requirements for infrastructure, equipment, application and service product development. Without standards that are universally understood and adopted, network interoperability and the provision of interconnected services would not be possible.

It is only by demonstrating compliance with relevant standards that the credibility of new products and services can be established. Ensuring new equipment and services comply with new standards is vital to market participants and is a key driver of the test and measurement sector.

Calnex, since inception, has developed and maintained a close involvement with standards bodies to ensure it has early insight as to industry developments to keep the Company's R&D programmes well informed.

Test and Measurement market segmentation

The development lifecycle for a new product in the Telecoms industry typically follows several stages, which are illustrated in Figure 1. Test and measurement is typically required at each stage of the development cycle and it is therefore crucial that this can be carried out reliably to prove conformance to the standards required by market participants and regulators. The level of investment in test equipment also varies as demonstrated by the graph in Figure 2.

Calnex is focused on the design validation, conformance test and maintenance test phases of the development life-cycle, which it considers to be high value niches, due to their position as critical points in the development life-cycle, requiring high capability and high-value test equipment and where the Directors' believe there is limited competition.

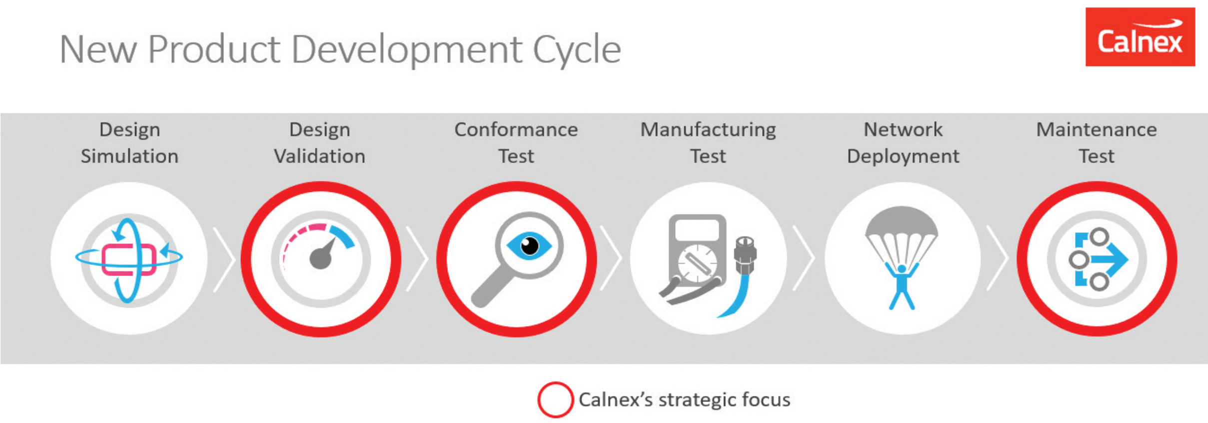
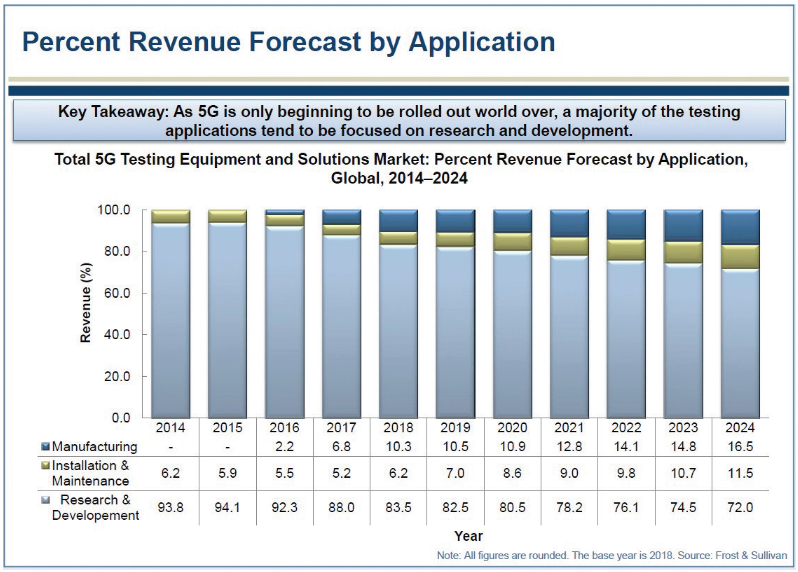


Figure 1



In Percent Revenue Forecast Chart:

- Research & Development encompasses Design Simulation, **Design Validation** and **Conformance Test**
- Installation & Maintenance encompasses Network Deployment and **Maintenance Test**.

The chart indicates that a high proportion of capital investment in test equipment is made in R&D applications.

Figure 2

A. ***Design Simulation***

During the design phase and prior to the manufacture of new components or electronic circuit board assemblies, simulations are performed to verify that specific designs will operate as required. This is carried out by component designers to avoid the cost and time involved in finding problems with new components post-implementation. The level of simulation performed on circuit designs is risk-based and determined by the complexity of the design with a view to avoiding issues ahead of the prototype build phase. The design simulation test market is dominated by companies like Mentor Graphics which deliver complex software-based tools to emulate a wide range of components in a range of environments. This is not an area of focus for Calnex.

B. ***Design Validation***

Once prototype and early production versions of new equipment are built, the operation of the new designs must be fully tested. This testing is performed in 'normal' operating conditions and under stress test operating conditions to ensure designs: (i) can operate under all conditions under which the final product may be deployed; and (ii) incorporate sufficient design margin to ensure minimal/no testing is necessary during the manufacturing process. This is an area where best-in-class testing is essential to ensure robust designs are delivered to avoid customer dissatisfaction and/or problems during mass production caused by batches of units failing to meet the published performance specification.

As well as performing design conformance during the initial design cycle, design validation needs to be repeated if there are future releases of software and/or hardware assemblies. This is necessary to prove performance of the new/enhanced parts and ensure that there has not been any inadvertent negative impact on the rest of the functionality of the design. This is of particular concern with new software releases, which often leads to re-testing of all functions involving software in their implementation. Equipment Vendors therefore build and maintain extensive racks of test equipment to allow them to repeatedly verify a product throughout its production life.

Design validation testing is carried out by a number of test equipment suppliers, of varying sizes, that provide solutions each focused on specific technologies. Design validation testing is a dynamic market where delivering the right solution at the right time will enable a test equipment supplier to secure market share. Companies like Keysight, Spirent, Rhode & Schwarz and Danaher are established companies that each focus on specific opportunities within this sector. This key stage in the testing process has been an area of focus for Calnex since its inception.

C. *Conformance Test*

Conformance testing is performed alongside design validation. Conformance testing is necessary to prove compliance to the international standards that will be listed in the specification of the equipment under development. If an Equipment Vendor claims that their equipment conforms to a standard, it is essential that they can prove this to their customers. Failure to prove conformance to standards listed on published datasheets can lead to reputational damage and lost business for an Equipment Vendor. If equipment is already deployed when a failure is detected by the Telecoms Network Operator, it may lead to significant expense to replace the equipment.

When the parameter under test is regarded as complex and/or difficult to implement, the reliability and reputation of the test equipment employed can be an important factor. Where a test equipment supplier is recognised across the industry for producing test equipment that reliably proves performance of a technically challenging parameter, then confidence in performance is increased by producing a report indicating that testing has been completed successfully using recognised, reputable equipment.

Large and established Telecoms Network Operators, such as BT, China Mobile and NTT, also perform validation and conformance testing before they deploy equipment in their networks. Larger Equipment Vendors operate Proof of Concept (POC) set-ups, as part of the sales process, where prospective customers are invited to view the equipment they are considering buying in operation. The same types of test equipment are used during these stages as used by the designers, as effectively, the same tests are being performed. The Directors believe that many smaller Telecoms Network Operators rely on the Equipment Vendor's POC labs and/or track what products the large Telecoms Network Operators are focused on as they know the larger Network Operators only deploy equipment which they have successfully evaluated. For suppliers of test equipment, having their products used in Telecoms Network Operator evaluations and in POC labs is highly valued. This gives Equipment Vendors an insight into the test equipment used for the verification of their designs and provides visibility on the test results which will be available to their customers.

The dynamics of the solutions for conformance testing are similar to those for design validation, with many of the same products used for both applications. As such, this is also an area of focus for Calnex.

D. *Manufacturing Test*

Once a new piece of network equipment is released to production, the Equipment Vendor will perform testing on each unit to establish performance throughout the life of the equipment. Equipment Vendors typically seek to minimise the need for testing at this stage as it increases production cycle time and the capital equipment required to perform testing can be expensive. If testing is carried out, sample testing may be performed to give a level of confidence that control of batch-to-batch variation can be achieved. Equipment Vendors' R&D designers are challenged to deliver products to their manufacturing groups that require very little testing by either having already carried out sufficient margin testing during the design validation phase or having built-in self-test capabilities that can be run simply without any external equipment. At present, in the opinion of the Directors, the opportunity for test and measurement companies in the manufacturing test stage tends to focus on high-speed interface testing, and is dominated by companies that can offer the fastest per-port test at the lowest cost. This is not an area of focus for Calnex.

E. *Network Deployment*

At the point when Telecoms Network Operators deploy equipment, in new networks or upgrades to current networks, testing will be performed to verify that the equipment has been installed correctly and is operationally sound. Engineers performing these installations will be deployed to install a varied range of equipment across the whole range of network generations in use. To control costs, Telecoms Network Operators often seek to minimise the time and complexity of each installation.

During network deployment, test equipment that can perform simple testing of a wide range of technologies is preferred. 'One button' press testing that enables a simple pass/fail indication is core to the value proposition for success in this market. There are currently test equipment suppliers, such as Viavi, Exfo, VeEx, that offer highly competitive solutions to address the challenges associated with network deployment. There are also several smaller, regional based test equipment suppliers that address Network Operators' local needs. Sales are typically characterised as price-sensitive and the ability to match each network's technology needs (driven by the technology choices the Network Operator has made over the years), is key to winning business. This is not an area of focus for Calnex.

F. Maintenance Test

First level maintenance testing by most Telecoms Network Operators focuses on equipment replacement. In these situations, engineers utilise many of the same test tools used during new deployment activities. In many cases, equipment replacement or straightforward repairs will resolve the issue. However, in some cases, more advanced testing is required to identify and resolve a problem. In these circumstances, the Telecoms Network Operator typically needs to engage highly skilled engineers with detailed knowledge of the operation of the network. In these situations, engineers need test equipment that can provide deeper insight to the network behaviour in order for them to determine the root cause of the issue. For these applications, while the potential volume of units required is much less than for deployment testing, the sophistication of the test equipment and its performance is more important, which makes this segment attractive to Calnex.

Rather than utilising their own high-skilled engineers, Telecoms Network Operators can turn to the support teams from test equipment suppliers to address the problem. The market for Maintenance Test equipment therefore covers both equipment for Equipment Vendors' support teams as well as the Network Operator's high-skilled engineers.

Calnex has been focused on this area of testing since its acquisition of Sentinel in 2013.

Market segments addressed by Calnex

As indicated above, Calnex's products primarily target the design validation and conformance test phases, and post-deployment maintenance testing. These markets all require test solutions that prove deep insight to performance where the quality of result and information obtained is critical. A strong reputation for delivering test equipment that robustly proves performance and delivers insight to enable designers to release new equipment in a timely fashion or fix complex network problems is important to customers. Whilst the cost of capital investment in test equipment is important to market participants, ensuring that engineering elapsed time to test can be minimised is a priority. Long testing phases delay the release of new products, and reduces new product revenue to Equipment Vendors. Network Operators are also impacted by long resolution times which limit network capability. In the test phases targeted by Calnex, customers need to have confidence that the test equipment they purchase is reliable and will enable them to carry out the necessary testing efficiently. Calnex has consistently delivered such products to its customers over time.

The Company's principal focus will remain on developing new features and products in Calnex's core markets, where the Company has already created a strong market position with limited direct competition. Calnex has a highly sophisticated and differentiated product offering and an advanced knowledge of future market requirements gained from its close relationships with customers, market participants and international standards bodies, which together act as a significant barrier to entry to potential competitors.

Calnex's products are often differentiated by their high specifications and the complexity of the product platforms. The Company is highly focused on R&D, IP and product development to ensure its products remain at the forefront of their markets. By delivering the optimal solution at the right time, market leading products with high end functionality can be sold at a premium price.

Calnex continues to work closely with customers and the key regulatory bodies to help define the industry changes that Calnex's products will be required to test and measure. With its established industry position, Calnex is well positioned to capitalise on opportunities driven by changing customer demand and regulatory standards.

5. Overview of the Group's Business

Calnex provides sophisticated hardware and software test and measurement solutions to its customers. The Company operates in the market segments described in the previous section and deploys three main applications to support customers in those segments:

A. *Lab Synchronisation*

Calnex entered the design validation and conformance test phases (R&D lab test), for synchronisation in 2007. The market for lab synchronisation applications has since grown as participants recognised the importance of synchronisation in enabling improved mobile network performance and functionality.

What is the challenge?

The mobile network needs mobile radio transmitters, known as 'basestations', to be synchronised to other nearby basestations where their coverage footprints overlap. Each basestation has a finite area of network coverage and there is a requirement for basestations' coverage to overlap to support seamless connectivity to users who are 'in motion'. This synchronisation was initially achieved by frequency (each basestation transmitting on a slightly different frequency to those of adjacent basestations), before moving to a time-based approach (where each basestation is allocated a different slot of time each second to transmit). To deliver this synchronisation between basestations, all equipment within the network has to conform to certain frequency and/or time transfer standards which define the accuracy of performance. As an example, one of the first standards introduced was referred to as 'Class B performance' and required individual equipment to transfer time to 70 nanoseconds (70 billionths of a second). The 5G vision is driving this to even tighter specification where test equipment with sub-billionth of a second accuracy is required to prove standards conformance.

Where does Calnex fit in?

Calnex's lab synchronisation test capabilities are delivered by the Paragon product range. Paragon proves the accuracy of transfer of frequency and/or time through the equipment under test. The original Paragon product was introduced in 2007 and was followed in 2011 by the launch of Paragon-X, which is still sold today. The Directors believe that Paragon-X was the first device to offer multi-rate to 10G bits/s interfaces, the first to enable physical layer testing (for frequency synchronised systems) and packet timing testing (for time synchronised systems), plus the first to use Master-Slave emulation for high accuracy testing of time transfer. This product has evolved over time and the current platform, Paragon-Neo, is capable of supporting interface rates of up to 100Gbits/s today. Network architecture is expected to be upgraded to even higher rates in the future with rates of 200Gbits/s to 400Gbits/s anticipated, providing opportunities for further product expansion.

The Paragon-Neo was launched in 2018 and is designed to deliver a high-accuracy platform primarily to test equipment for 5G networks. The Directors believe that the Paragon-Neo was the first to be introduced with 100Gbits/s support, with the current device capable of multiple rates from 100Mbits/s-to-100Gbits/s. Core to the Paragon-Neo's value is its ability to measure time transfer accuracy to less than one billionth of a second.

The Paragon products are built on a highly sophisticated proprietary hardware platform. At present the platform consists of over 17,000 components, with over 8,000 of these being high-pin count devices. The largest of these components has over 2,000 pins. The complexity of the Paragon platform, which has been developed over time using Calnex's significant knowledge and experience, creates barriers to entry for competitors. The Directors believe that the Paragon platform has the flexibility to be enhanced in line with future customer needs which will enable the Company to deliver future revenues from the Paragon product line.

Associated with the Paragon hardware platform is a proprietary software platform. When customers purchase a Paragon product, they can select which options to enable, each offering a different set of features depending on what technology and/or standard needs to be tested. As customer requirements change, additional options and enhancements can be purchased and incorporated through software upgrades. Paragon has over 20 software options currently available.

Future Opportunities

The Directors expect Paragon to continue to maintain a strong position within its markets, as the Paragon product platform is highly adaptable and can deliver a comprehensive set of features for testing.

The Company has identified opportunities to deploy its lab synchronisation products in other industry sectors, where the importance of timing has increased. These include the Power industry, which requires high accuracy timing to align its synchrophasers (which align sources of power), and the financial sector, where high frequency trading needs transactions to be time stamped accurately. The opportunity in these markets may lead to a re-positioning of the Paragon-X platform to service these opportunities depending on the interfaces and the level of accuracy required.

The Paragon-Neo has already been deployed for early stage 5G markets, where its high specification capabilities have been well received by customers.

The Directors believe that Paragon has a significant share of its current markets and, with the enhancements planned, the Paragon platform is well positioned for growth in line with developments in its markets. The current customer list for Paragon includes many of the leading Equipment Vendors, with many being repeat customers. The Company is unaware of a competitor that is currently able to offer the same depth of functionality as Paragon-X or the accuracy of measurement of Paragon-Neo. Historically, a competitor may offer an alternative product to Paragon to some of the same customers as Calnex (given the customers are high profile industry names). These alternative products are typically less sophisticated than those which Calnex can provide and the Directors remain confident in the Company's products' competitive advantage.

B. *Field Synchronisation*

What is the challenge?

When the synchronisation technologies described in the previous section are deployed in networks, it is essential that a Telecoms Network Operator can identify the root cause of an issue and resolve it quickly. Initial maintenance typically involves unit replacement and/or utilising self-test capability built into the network equipment to trace the location of the equipment that is not operating correctly. If this fails to address the problem, highly-skilled technical staff will be deployed to analyse the operation of the network to understand what is causing the problem. Test equipment capable of providing deep insight to the behaviours of the network is critical to identifying the root cause of the issue.

Where does Calnex fit in?

Calnex's Sentinel product range provides the ability to test network synchronisation in the Maintenance Test application.

The Sentinel platform was acquired in 2013 and has been developed to offer high-end maintenance test capability for verifying and fault-finding in network synchronisation performance. The Sentinel platform offers the ability to test both frequency based and time based synchronisation in one instrument, which enables customers to test more efficiently.

The Directors believe that Sentinel is the first product in the world able to measure time from a radio signal (as opposed to connecting directly to monitor ports on the basestation equipment) and is designed to measure high accuracy timing in the field. This provides an engineer with a more efficient means of monitoring network performance by reducing the time required to carry out testing. In future, the introduction of Smart Cities is expected to see a dramatic increase in the prevalence of 'Small Cells', small form-factor basestations the size of Wifi routers, which can be placed on office walls or street furniture such as lamp posts. Small Cells do not have monitor ports and the ability to carry out testing from the radio signal, using a product like Sentinel, is critical.

Sentinel's strength lies in its ability to fault find both in frequency synchronised and time synchronised networks. All future 5G networks will transition to being time-based synchronised, which is expected to result in an increased use of Sentinel as a maintenance tool.

Future Opportunities

Calnex is currently developing its second generation over-the-air capability for Sentinel to capitalise on the anticipated move to utilising large numbers of Small Cells as the 5G network deployment rate accelerates.

Sentinel is positioned as a premium product range, offering customers deep insight field synchronisation testing. The Directors believe that competitors are at present limited to serving the more basic requirements of the field synchronisation testing market.

The Company has also introduced a handheld field measurement tool, Tempo, through a reseller OEM arrangement. Tempo complements the Company's Sentinel solution and can be used for ethernet and synchronisation measurement.

Based on discussions with Calnex's customers, the Directors are not aware of any competitors offering comparable solutions to the Company's products, which are focused on Maintenance Test solutions for field synchronisation. The Directors believe that alternative products are general purpose installation testers that do not have the same depth of functionality for synchronisation testing. As Calnex's customers already include many of the large, high profile Telecoms Network Operators, the Directors are confident Sentinel can be classified as best-in-class in the markets it addresses.

C. *Network Emulation*

What is the Challenge?

Network emulation is the process of using test equipment to replicate network behaviour under certain real-world conditions. In the Telecoms industry, this allows Equipment Vendors to verify the performance of their equipment under a range of network conditions, in particular during the Design Validation phase. Calnex's network emulation products are designed to impair data traffic for the development of Ethernet Switches and Routers for deployment in large data Wide Area Networks (WANs), operated by the traditional Telecoms Network Operators such as BT, China Mobile and NTT, and in data storage farms offering cloud computing services, such as Amazon, Google and Facebook.

Where does Calnex fit in?

The Company's network emulation product range offers the ability to impair data traffic in a number of applications and on a wide range of interfaces. Calnex first introduced the Attero (support for 1Gbits/s interface) and Attero-X (support for 1Gbits/s and 10Gbits/s interfaces), in 2013, with the upgraded Attero-100G released in 2015. The Directors believe that Attero-100G is the industry's first full line-rate 100Gbits/s WAN emulator and is capable of reproducing real-world loss, latency and jitter from 10Gbit/s to 100Gbits/s (jitter refers to the variation in time is takes for each packet to travel through a network, caused by congestion and management functions of the equipment along the transmission path).

It is expected that Calnex's Attero products will continue to target customers developing equipment designed to address high-speed and high-end performance applications.

In 2018, Calnex acquired JAR Technologies to expand its product range with the SNE network emulator. While the Attero platform is built with a hardware-based packet engine at its core, (which is required to deliver high performance in terms of accuracy of packet delay and high throughput of packets on the high-speed interfaces), the SNE uses a software-based packet engine at its core. The software base architecture delivers greater flexibility in scenarios emulated and it can deliver multi-port/multi-user support for applications where this is more important than high throughput. The Directors believe that SNE is currently a market leader in port count, multi-user and flexibility. Marketed as a multiport, multi-user 'Network in a Box', SNE can mimic the conditions a network will exhibit and has multiple uses from Enterprise, SD-WAN, Datacenter, Cloud and Video.

Future Opportunities

The Company's SNE platform and development skillsets provide a path toward Network Function Virtualization ("**NFV**"). NFV is an initiative to provide a network production environment which lowers cost, raises efficiency and increases agility by hosting network functions previously carried out by proprietary, dedicated hardware on virtual machines running on industry-standard commodity hardware. The Company plans to introduce a Virtual SNE in 2021 to address this emerging opportunity.

The Company's product roadmap will continue tracking both the physical world opportunity (using the Attero and SNE platforms) and virtual world opportunity (with a Virtual SNE), to offer solutions that will track the future testing needs in the design validation phase for Ethernet Switches and Routers, both physical and virtual.

The global Ethernet market was estimated by Frost & Sullivan to be worth US$1.3 billion in 2018 and is forecast to grow at 6 per cent. CAGR from 2017-2022. The Network Emulation market is a small subset of the Ethernet market and the Directors believe the Network Emulation market is likely to grow in parallel with forecast growth in the Ethernet market.

In addition, a Virtual SNE has the potential to enter a new market in software application development teams in Hyperscale/Large Enterprise entities. Recent market investigations have identified that some large enterprises already use a cloud-based software development environment. Within this development environment, a software-based test solution is likely to be the optimal solution and represents an opportunity for Calnex from 2021 and beyond with its Virtual SNE product.

The Directors believe the Company's Network Emulation portfolio, consisting of the Attero and SNE product lines, has a strong competitive position due to the breadth of the Company's product offering. Whilst there are other Network Emulation solutions available, the Directors are not aware of any competitor that has both a hardware-based and software-based offering. This allows the Company to provide the optimal solution to meet a customer's needs. The Directors also believe the addition of the Virtual SNE in 2021 will further strengthen the Company's competitive position, due to the comprehensive nature of the portfolio, providing the confidence that the Company can generate growth from this product line in the future.

The Company intends to use its strong presence in all three of its primary applications – Lab Synchronisation, Field Synchronisation and Network Emulation – to identify new opportunities in attractive markets where new test and measurement equipment is required.

6. Revenue model

Calnex generates revenues through the sale of hardware and software, alongside the provision of software support and extended warranty programmes.

The Company's core sales model is bundled hardware and software. Sales pricing is dependent on the product type and the complexity of the software configuration built into the product package. Calnex also sells stand-alone software upgrades under licence. Each of Calnex's units comes with a standard warranty period including maintenance and software upgrade cover in the event of any software upgrades being released for the options purchased.

Calnex also sells software support programmes which provide customers with access to future software upgrades which are not included as part of the standard warranty. The Company also offers extended warranty programmes to cover repairs falling out with the standard warranty period.

Hardware and bundled software revenues are recognised on despatch, with stand-alone software revenues recognised in line with the licence period. Revenues from software support and extended warranty programmes are typically recognised on a straight-line basis over the term of the contract.

Sources of Revenue

- In FY20, approximately 91 per cent. of the Company's revenues were generated from the sale of hardware and software products, with 9 per cent. from software support and extended warranty programmes.
- The Company's customers are located across the world. In the last three years there has been an even geographical split of customer orders across the Company's three key regions: the Americas, Asia Pacific and Rest-of-the-World.
- In FY20, Calnex had 177 revenue generating customers, an increase of 11 from 166 in FY19. The Company's top ten customers in FY20 accounted for 52 per cent. of total revenues (FY19: 48 per cent.) The average length of customer relationship across the top ten customers in FY20 is nine years. In FY20, no underlying customer accounted for more than 10 per cent. of Calnex's total revenue.
- The Company typically experiences a high level of repeat business from its customers. In FY20, approximately 78 per cent. of revenues were generated from existing customers (FY19: 88 per cent.). During the last five years, 166 existing customers have placed repeat orders with Calnex.
- Calnex's sales are predominantly derived from Telecoms customers, who represented 78 per cent. of the Company's revenues in FY20. In recent years the Company's top ten customers have included Non-Telecoms customers, being Hyperscale/Enterprise entities (such as Facebook, Google and IBM). In FY20 these Non-Telecoms customers represented 14 per cent. of the top ten customer revenue.

Many of the products and services developed and deployed by Calnex's customers are interlinked and need to be tested independently, such as the individual components which are then built into the equipment used in Telecoms networks. Calnex's test products can be used by a combination of Equipment Vendors, Component Manufacturers and Network Operators, to carry out testing during a new product development cycle. A customer can choose to use Calnex's products in the knowledge that a more consistent result may be obtained if a Calnex test solution had already been used on a particular product.

The Company's R&D costs are capitalised and amortised over five years.

Calnex's customers

To date, Calnex has sold products to over 600 customer sites in 68 countries around the world.

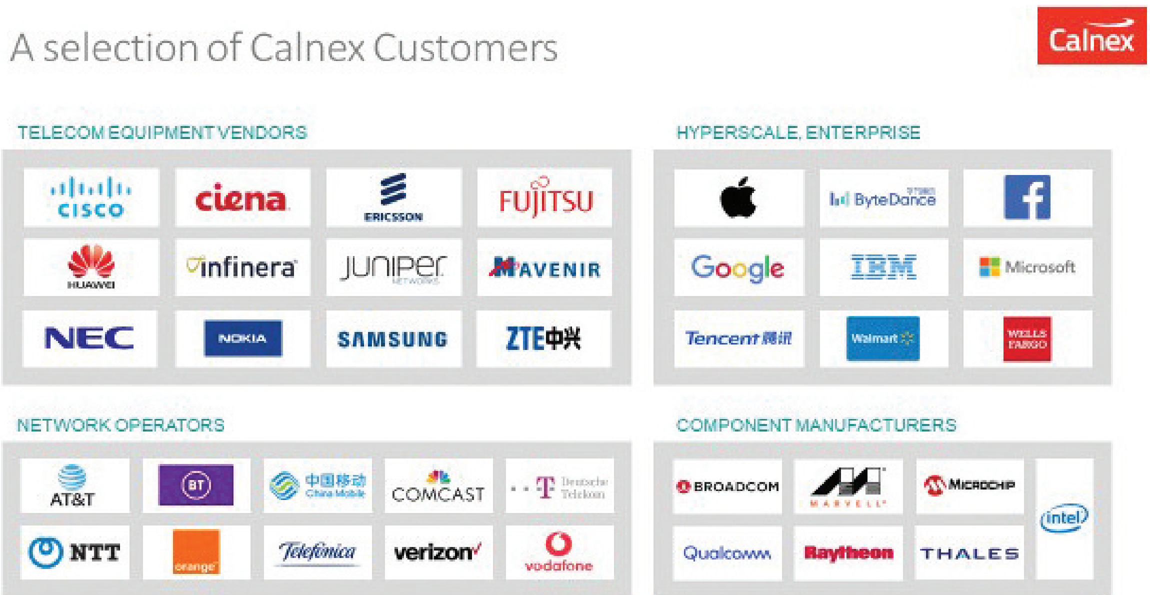


Figure 3

7. Market Dynamics that are Creating Further 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 and the shift to using cloud computing are all agents of change to the structure of Telecom networks around the world. The Directors believe that Calnex has the potential to benefit from these changes and generate sustainable growth in the future.

The 5G Vision

The Telecoms industry has been transformed over time and the impact the 5G vision will have on the Telecoms network will be significant. The diagram below illustrates how the mobile phone user's demands have driven the development of the wireless Telecoms network over the last 40 years, from 1G during the 1980s, through to the introduction of 5G at present.

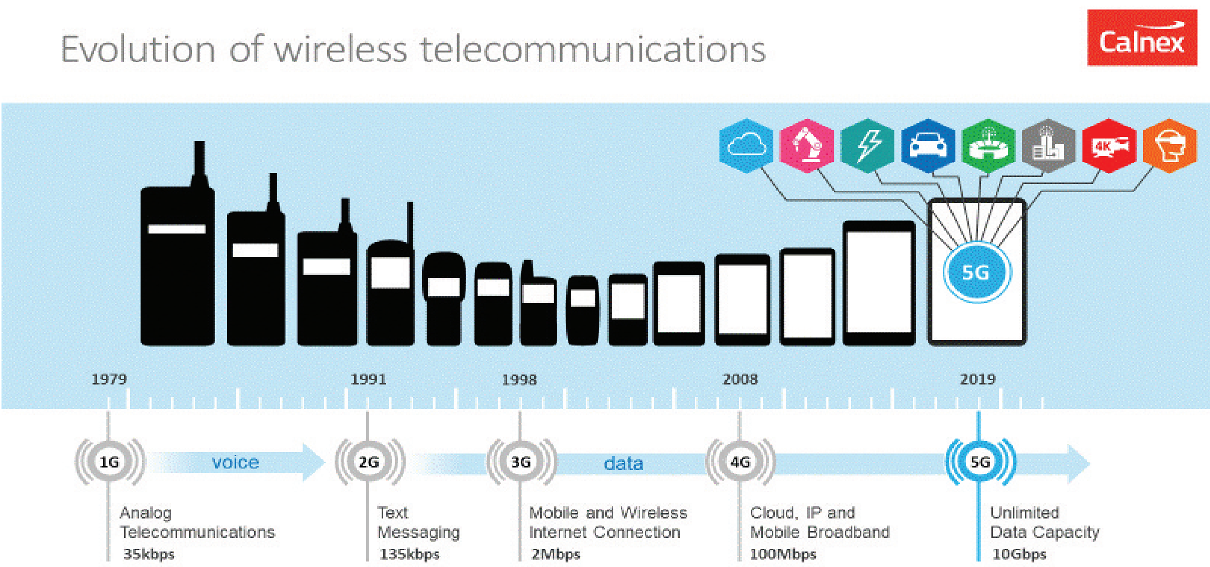


Figure 4

The first generation of wireless network technologies, known as 1G, were introduced in 1979 and focused on the original analogue voice-only cellular telephone standards. The second generation, or 2G, was launched in 1991 and introduced digital networks with additional services such as text messaging. 3G evolved the 2G technology to deliver enhanced service coverage as well as improved data access.

Throughout the first 25 years, users primarily used mobile phones to make voice calls. The evolution of the network through this period was primarily to increase capacity (the number of calls that could be supported), improve geographical coverage and to increase the quality of experience to the user. The introduction of the smart phone was the first major disrupter due to its increased functionality and data requirements. From this time, data access was increasingly important as the smart handset offered the user the ability to utilise a large and varied array of applications on the move. This led to the need for increased data coverage and bandwidth became a primary driver to network development. From around 2008, new, advanced technologies and standards were introduced to implement the next generation of network capabilities, with higher speeds of data access and increased capacity. This was labelled 4G.

The 5G vision is the next major disrupter in the evolution of the mobile network. 5G is not just one technology, it is about meeting the expanding and varying demands being put on the network today to meet present and future customer needs. The types of services to be delivered can be split into three distinct groups.

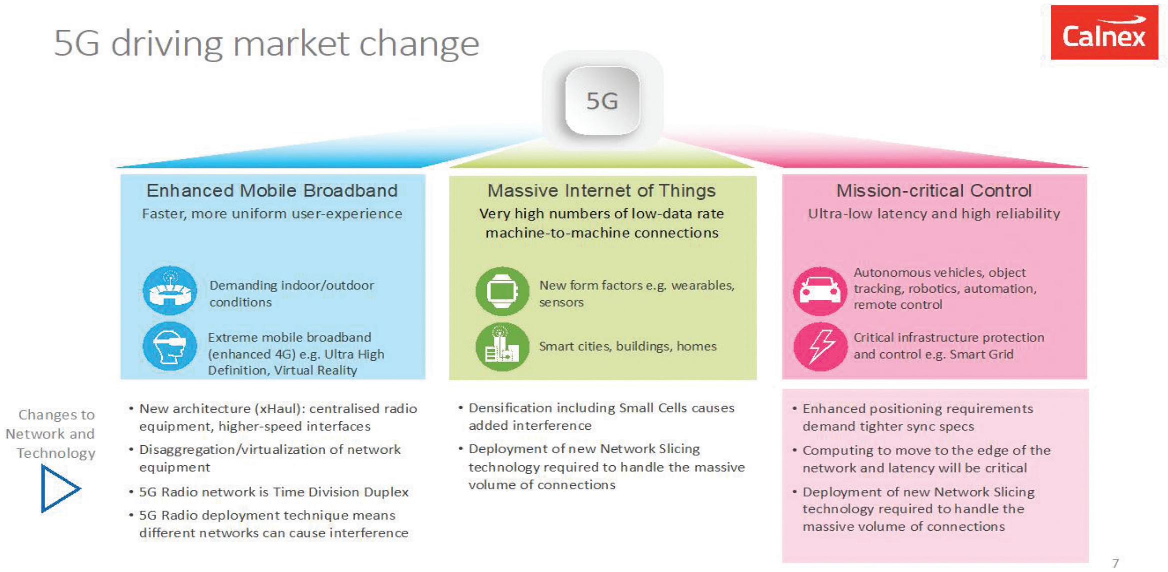


Figure 5

A. *Enhanced mobile broadband*

The development of enhanced mobile broadband is the natural evolution of the needs of smart phone users. Users are demanding significantly faster data speeds and greater network capacity and a more uniform experience. New applications will include fixed wireless internet access for homes, outdoor broadcast applications without the need for outside broadcast vehicles and far greater connectivity for mobile users. Enhanced mobile broadband will be instrumental in enabling rich media applications such as ultra-high definition (UHD) for video streaming, mobile augmented reality (AR) and virtual reality (VR).

B. *Massive Internet of Things*

Massive machine-to-machine communications, also known as the Internet of Things, involves connecting billions of devices without human intervention at a scale not seen before. The communication channels required by these devices are characterised by low data rates for very large numbers of connected devices. These devices have the potential to revolutionise public and industrial processes in many diverse applications.

The principal difference in the type of connection each IoT device needs, when compared to a smart phone user, is that the data rates will be very low. Take the case of a bicycle for hire from the side of the road. The bicycle has an embedded SIM card to allow a user to hire it from a specific location and to enable billing to be applied automatically. In these circumstances the IoT device only needs to send very small amounts of data back to the control service, potentially communicating the location of the bicycle once per minute, with a very low data rate connection being all that is required. When the bicycle is hired and moving, the IoT device might send a brief burst of data regarding the user's ID and start time, then when the user is finished with the bicycle and the hire period ends, another burst of data is sent to indicate the end time and the location where the bicycle has been left.

Massive IoT is also characterised by the significant volume of these devices expected to be utilised. Whilst a low data rate is required for each device, the number of all types of IoT devices in a relatively small area can be enormous. For example, China Mobile has set the vision for its future network to support one million IoT devices per square kilometre. The scale and connectivity required by IoT devices will be very different to smart phones and the network will need to have the capability to deal with IoT connections in a different way to smart phone connections to deliver the required service scale and quality at a commercially viable cost.

C. ***Mission Critical, ultra-reliable low latency communications.***

This category of service involves machine-to-machine type communications that control critical real time applications, such as remote healthcare, industrial robotics and vehicle-to-vehicle communications (including safety systems, autonomous driving and management of transport networks). The consequences of poor connections for these applications would be critical, and the quality and reliability of these connections therefore must be high. The connection bandwidths for these devices may be similar to those delivered to individual smart phone users, however, the quality of service required is far greater and must be guaranteed. Network Operators will market this type of connection as a premium service, which can result in higher revenue per connection compared to smart phone connections.

To deliver all these types of service, fundamental changes to the network are required. These will include significant changes to network architecture and topologies utilised, the type of equipment deployed, the signal structures to create the service isolation between each of the three categories above, and the performance requirements for individual pieces of equipment, for example new high speed interfaces. This will happen over time and is expected to continue for the foreseeable future, as the network continues to evolve and innovative new ways to meet customers' needs are developed. Associated with all these changes will be the introduction of new standards, which will provide a framework for developing the required technology and thereby enable Network Operators to invest in new equipment with confidence that it will deliver the services required.

When is 5G happening and is Calnex generating business from it?

The release of the initial set of standards to define the operation of equipment to be deployed in 5G networks is currently ongoing. Calnex is already benefiting from the early stages of the 5G roll out, with increasing sales of the Company's Paragon-Neo platform during the last two years.

To meet the expected increase in mobile radio transmitters being installed as part of the 5G roll out, which are required to deliver the scaled up level of service, new standards have been defined that require much tighter specification on the transfer of accurate time through a network. These standards require transmitters to be synchronised in time to ensure they do not interfere with each other when their coverage footprint overlaps. The new standard can require a single piece of network equipment to transfer time accurate to 5 nanoseconds.

The Directors believe that Calnex's Paragon-Neo is the only test equipment available with an accuracy of better that 1 nanosecond (one billionth of a second). This level of accuracy is essential for the designers of network equipment to perform Conformance Testing of their designs to ensure they meet the five nanosecond design specification standard. Calnex plans to track the development of these standards, and their application to different interfaces defined for the 5G networks, to ensure that the Company's products are able to deliver to, and exceed, standards that will be introduced in the future.

Currently, there are a small number of 'showcase' 5G deployments, but until mass deployment commences, the field testing market will remain focused on 3G and 4G deployments. To prepare for the emergence of the opportunity within 5G markets, which the Directors believe will commence in 2021, Calnex is undertaking a project to develop new capability for its Sentinel platform that will enable the device to operate within: (i) the new frequency bands defined for 5G; and (ii) the new signal structures defined for 5G radio transmissions. Calnex's field testing product will be aligned with the roll out of 5G networks from 2021 onwards.

The Directors believe that the significant changes within the market for new equipment and new architectures will create other opportunities that Calnex will be able to benefit from. Calnex intends to continue working with the standards bodies in defining the new 5G standards and developing its already established relationships with thought leaders from key market participants in order to ensure that Calnex is well positioned to capitalise on future opportunities that are expected to emerge over the coming years.

Cloud computing also a significant agent of change and opportunity generation.

The implementation of storage farms (where large enterprises build their own storage infrastructure and data centres) and the increasing use of cloud computing is providing Calnex with new opportunities.

Storage farms require test equipment functionality that mirrors that of equipment targeting the test requirements of data/WAN networks. A number of Calnex's existing products are capable of delivering the solutions which are required by the developers of these storage farms. The Directors believe that this provides the Company with the opportunity to expand its addressable market for certain products. One such large enterprise is Facebook, which is now one of Calnex's customers.

Another significant change in the market comes from the move to what is referred to as Software Defined Networks (SDN) or Network Function Virtualisation (NFV). Traditional Equipment Vendors sold products consisting of their own proprietary hardware platform, with their own proprietary software running on that hardware platform. The hardware platforms for SDNs are effectively off-the-shelf, high-end PC-based computer server machines (with companies like HP and Dell providing this equipment). Equipment Vendors are currently able to provide software to run on these generic platforms to perform the packet switching and routing functions. Splitting the product offers choice and flexibility to the companies building networks (Network Operators and storage farm companies) and is expected to create a more competitive pricing environment and faster roll out of new capability, such as expanded networks and/or new services. Consequently, a Network Operator no longer has to purchase products that have been fully verified from one Equipment Vendor, and instead can buy hardware platforms from one source and software from another. This will provide additional flexibility for Network Operators and is likely to create new opportunities for companies like Calnex, as testing will be required to address any integration challenges. To test these solutions, NFV based test solutions will be required. The Directors believe that by implementing a Virtual SNE, the Company can benefit from the emergence of these new forms of network equipment.

There is an emerging common requirement between the engineering teams in Equipment Vendors developing their NFV offering and the engineering teams from large enterprises (such as banks and insurance companies) developing software applications to be hosted by cloud computing services. As the development environment is primarily software-based, the test environment also needs to be software-based. The emergence of test equipment in NFV environments is expected to expand the potential market for Calnex's network emulation products. The R&D teams in large enterprises, developing applications to be run in the cloud for use internally and/or by their customers, are also expected to be potential customers of Calnex. With the introduction of the Virtual SNE in 2021, which is currently under development, Calnex plans to pursue both opportunities.

8. Strategy and Future Prospects

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

1. ***Continued product innovation to capitalise on the 5G vision***

   The Directors believe that Calnex has a market-leading suite of products which are currently delivering test and measurement solutions to customers across the world. Critical to the creation of new opportunities for the test and measurement sector is change. With the 5G Vision supporting a rapidly evolving test and measurement sector, along with the further opportunities emerging from the move to SDN and cloud-computing, the Directors believe Calnex is well positioned to develop its current product lines in line with its existing customers' needs. The Company intends to follow the trends to higher transmission rates and to track new standards to strengthen Calnex's product offering.

2. ***Expand within the Cloud Computing sector and other market niches***

   The Directors anticipate that additional opportunities can be identified, in adjacent and new markets, where the products and solutions that Calnex currently offers to its customers can be deployed to broaden the Company's addressable markets. The introduction of the Virtual

SNE product in 2021 is expected to create new sales opportunities within the Company's existing customer base and to expand the addressable market by targeting engineering teams in large enterprises that develop their own customer applications with cloud computing environments (such as banks and retailers).

3. ***Target select M&A opportunities to add to the Company's product portfolio***

Calnex currently targets specific sub-sectors of the global Telecoms test and measurement market. The Directors believe that with its proven track record of identifying and targeting these attractive market niches, alongside the management team's experience in successfully integrating bolt-on acquisitions, the Company 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.

Any such acquisition would need to be located within related or adjacent growth markets, supplement future organic growth, and meet stringent investment criteria.

Calnex's ability to fund future acquisitions is constrained at present and Admission will provide the Company with the potential to raise capital, or issue shares as consideration (or part consideration), when appropriate.

The Directors believe that Admission will be an important step in the Group's development and will provide a platform from which Calnex can grow.

Following Admission, the Company intends to expand its R&D and business development teams to expedite the Company's ability to capitalise on the opportunities available to it. Admission will enhance the Company's ability to recruit suitably skilled individuals and to incentivise those individuals through the Share Schemes, which the Directors believe will be important in ensuring that Calnex can retain, attract and motivate highly specialist staff, who will help deliver the Group's future success.

Admission to trading on AIM is expected to raise Calnex's profile with new and existing customers, many of whom are significant and well known entities.

The Placing will provide the Company with an institutional shareholder base capable of supporting the Company's future growth plans and will act as a realisation event for certain existing shareholders. Following Admission, Calnex will have a capital base which will support controlled use of debt facilities.

9. Sales and Manufacturing

Sales channels

Calnex has established a global network of regional distributors and channel partners to create worldwide reach for its products. This has proved highly efficient and enables staff to focus on R&D, IP and product development.

The sophisticated nature of Calnex's products requires a high level of customer interaction from Calnex personnel throughout the sale process and the Company is typically regarded as a trusted partner by both its distributors and customers. The high level of engagement with customers provides Calnex with visibility of industry direction and gives valuable insight from which the management team can take key decisions on Calnex's own R&D and product development. Calnex's sales and distribution channels are supported by its own sales platform which provides real-time management information used to plan procurement and fulfil orders.

The initial role and responsibility of the local channel partner is to identify opportunities within its region and support Calnex's team to close the technical sale process, which typically involves matching Calnex's hardware and software configurations to the complexity of the customer's requirements. The channel partners are then supported by Calnex's team to close the commercial sale, before handling the financial requirements of the transaction for their jurisdiction. Throughout this process, the end customer has a direct connection to Calnex personnel, which enables the Company to build relationships with its customers, better understand customer needs and reduce the reliance on a channel partner. This approach enables Calnex to maintain effective customer engagement in all territories in a highly efficient manner.

Calnex has the flexibility to change its local channel partners where necessary and has done so previously to strengthen the Company's global coverage, whilst maintaining connectivity to the end customers and protecting revenues through any transitional period.

Calnex has also formed effective sales channel relationships with blue-chip companies in the sector which have large sales footprints. At present, Calnex's principal distribution partner is Spirent Communications plc, with whom Calnex has worked since 2012. Spirent Communications plc has a market capitalisation of £1.6 billion and provides test, measurement, analytics and assurance solutions for next-generation devices and networks, with an expanding focus on 5G. Spirent's distribution network provides Calnex with access to a number of its key markets, including the US, China and India. In FY20, 71 per cent. of the Company's sales were distributed through Spirent. The Company also uses other distributors, who in FY20 represented 21 per cent. of revenues, and Calnex also sells directly to specific customers.

Manufacturing

Calnex has outsourced the manufacturing of its products to Kelvinside Electronics since 2007. Kelvinside Electronics is a specialist manufacturer of advanced electronic products, operating from a custom built 40,000 sq. ft. facility located in Kilsyth, Scotland.

Calnex utilises real time sales information with which it can optimise the production and manufacturing processes. The Company provides Kelvinside Electronics with rolling forecasts of product orders and regular face-to-face contact ensures that procurement and production schedules are efficient. Kelvinside Electronics manages the procurement on behalf of Calnex and maintains a base inventory of key materials which enables flexible manufacturing. Calnex provides technical product training to Kelvinside Electronics' engineering team.

Calnex business represents over 20 per cent. of Kelvinside Electronics' revenues and the Company has become a key client for Kelvinside Electronics in recent years. Calnex's management team has reviewed Kelvinside Electronics' Disaster Recovery Plan. From their worst-case predictions of outage, Calnex has modelled its financial response to produce a contingency plan to deal with such an event. The typical lead times from customer order to delivery (4-8 weeks, with 12 weeks not unusual), provide Calnex with the ability to prioritise manufacturing such that equipment and component inventories can be maintained. Whilst Kelvinside Electronics currently is the sole manufacturer of the Company's products, Calnex's management team monitors the availability of alternative UK-based contract manufacturers with comparable capability and is satisfied that in the unlikely event of a manufacturing issue, the Company would be able to manage the situation until the outage was resolved or production was moved to an alternative supplier.

10. Use of Proceeds

The Placing of the Placing Shares will raise up to approximately £5.0 million (net of expenses) for the Company. The Directors believe that the funds raised through the Placing, along with the Company's existing cash resources, will enable Calnex to:

- Invest in business development and R&D resource;
- repay the Company's existing debt facility, which will result in a flexible capital base able to support the controlled use of debt facilities in the future;
- evaluate opportunities to acquire complementary technologies or businesses to expedite the Company's growth; and
- provide a realisation event for the Selling Shareholders.

11. Summary Financial Information

The following information has been extracted from the historical consolidated financial information on Calnex, which is set out in Part III of this document.

	Year ended 31 March 2020 £	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Revenue	13,738,839	10,503,641	8,418,378
Costs of sales	(3,116,403)	(2,279,444)	(2,323,270)
Gross profit	10,622,436	8,224,197	6,095,108
Other income	548,980	550,354	464,068
Administrative expenses	(7,852,344)	(5,878,108)	(5,377,839)
Operating profit	3,319,072	2,896,443	1,181,337
Finance costs	(338,601)	(383,253)	(274,983)
Profit before taxation	2,980,471	2,513,190	906,354
Taxation	(693,282)	(372,338)	(155,754)
Profit and total comprehensive income for the year	2,287,189	2,140,852	750,600
Profit and total comprehensive income for the year attributable to:			
Continuing operations	2,787,682	2,140,852	750,600
Discontinued operations	(500,493)	—	—
	2,287,189	2,140,852	750,600

12. Current Trading and Prospects

Calnex's strong financial performance in FY20 has continued into FY21. The Group's order book and sales pipeline have continued to grow since the year end and the Board is encouraged by the performance in the year to date.

Whilst the Board recognises that the performance of the Group may yet be impacted by the ongoing COVID-19 pandemic, the Group's operations have been largely unaffected by COVID-19 to date and the procedures implemented by management have enabled the employees of the Group to carry out their work remotely. At this time, the Board is not aware of any of the Group's suppliers or customers who have been significantly affected by the COVID-19 pandemic and are taking any steps which are likely to have a material impact on the Group's business.

13. Dividend Policy

The Directors intend to adopt a progressive dividend policy whilst allowing the Company to retain sufficient capital to meet both the working capital requirement of the business and to fund growth in line with its strategic objectives. The Company intends to commence payment of a dividend for the financial year ending 31 March 2022.

14. Directors, Senior Management and Employees

A. *The Board*

On Admission, the Board of the Company shall comprise two executive Directors and three non-executive Directors whose biographical details are as follows:

George Reginald Elliott (Independent Non-Executive Chairman) (Age 67)

George has been Chairman of Calnex since 2013. He is currently Non-executive Chairman of Optoscribe Ltd, Design Led Products Ltd and is a Director of RITF Consultants Limited. George has extensive boardroom experience in private and public technology companies in an executive and non-executive capacity. George was until 2019 Non-executive Chairman of AIM-listed Craneware plc (AIM: CRW), the market leader in software and supporting services for healthcare providers in the US and recently resigned as a Non-executive Director of Indigovision Group plc following the company's acquisition by Motorola. From 2000 to 2007 he was Chief Financial Officer of Wolfson Microelectronics plc, then a leading UK-listed global provider of high performance mixed-signal semiconductors to the consumer electronics industry.

Thomas (Tommy) Cook (Chief Executive Officer) (Age 60)

Tommy is the founder and CEO of Calnex Solutions. He has over 35 years' experience in telecoms test and measurement ranging from hands-on design and programme management of R&D projects through to leading business teams within the market segments in which Calnex currently operates. Tommy has participated in a number of Industry Standards forums, including the ITU-T and MEF groups.

Ashleigh Joanne Greenan (Chief Financial Officer) (Age 41)

Ashleigh qualified as a chartered accountant with Deloitte before spending 5 years at KPMG in transaction services. She has held senior finance and corporate development roles at Exova Group plc, the UK materials testing business, before joining Parsons Peebles Group Limited, where she was a director of a number of group companies and held the role of Chief Financial Officer until she joined Calnex in early 2020.

Ann Cochrane Cook Wallace Budge (Non-Executive Director) (Age 72)

Ann has been a Non-executive Director of Calnex since 2009. Ann co-founded IT Services company Newell & Budge in 1985, which successfully grew to a staff of over 1,000 across six regional offices in the UK, with a Development Centre in New Delhi, prior to its sale to Sopra Group in 2005. Since then, Ann has held a number of non-executive roles and has been active in the angel investment community. She is currently CEO and Chair of Heart of Midlothian Football Club.

Graeme Bissett (Independent Non-Executive Director) (Age 62)

Graeme is an experienced corporate financier and qualified chartered accountant, having previously been a partner with Arthur Andersen LLP and finance director of international groups. He is currently a Non-executive Director of publicly traded Smart Metering Systems plc and Aberforth Split Level Income Trust plc, along with a number of private companies. Graeme was formerly Chairman of Macfarlane Group PLC and acted as a Non-Executive Director of businesses including Interbulk Group plc and Belhaven Group plc. He currently undertakes a number of pro bono appointments including as Vice-Convenor of Court at the University of Glasgow.

B. ***Share Schemes***

The Company currently has in place the Unapproved Plan, the EMI Plan and the SIP Plan. In addition, the Company intends to adopt the Notional Plan following Admission.

Further details of the terms of the Share Schemes are set out in paragraph 5 of Part IV of this document.

15. Lock-In and Orderly Market Arrangements

The Company has entered into lock-in agreements with Cenkos and Tommy Cook pursuant to which Mr Cook has agreed not to, and to procure that his related parties will not (subject to certain exceptions): (i) dispose of any of his interests in Ordinary Shares prior to the first anniversary of Admission; and (ii) thereafter, for the following 12 months only, to dispose of them through the Company's broker at the relevant time.

The Company has also entered into lock-in agreements with Cenkos and each of Ashleigh Greenan, John McElroy and Scottish Enterprise pursuant to which each of Ashleigh Greenan, John McElroy and Scottish Enterprise agrees not to, and to use reasonable endeavours to ensure that their related parties will not (subject to certain exceptions): (i) dispose of any of their interests in

Ordinary Shares prior to the first anniversary of Admission; and (ii) thereafter, for the following 12 months, only to dispose of them through the Company's broker at the relevant time.

The Company has also entered into lock-in agreements with Cenkos and each of Ann Budge, George Elliott and Graeme Bissett pursuant to which each of Ann Budge, George Elliott and Graeme Bissett agrees not to, and to use reasonable endeavours to ensure that their related parties will not (subject to certain exceptions): (i) dispose of any of their interests in Ordinary Shares prior to the date falling six months after Admission; and (ii) thereafter, for the following 18 months, only to dispose of them through the Company's broker at the relevant time.

In addition, each of John Pearson, James Roy, Laura Conway, John Beaton, James Scott Carnegie, Stephen Bruce, Graeme Hay, Franceso Jozef Esposito, John Bennett, Anand Ram, Jeff Wright and Ger Kirk has agreed with the Company and Cenkos that for a period of 12 months following Admission they will only dispose of their interests in Ordinary Shares through Cenkos so as to maintain an orderly market in the Company's Ordinary Shares.

Details of the Lock-in and Orderly Market Arrangements are set out in paragraph 12.2 of Part IV of this document.

16. Relationship Agreement

The Company has entered into a relationship agreement with Tommy Cook and Cenkos pursuant to which Mr Cook has agreed to manage his relationship with the Company to ensure that the Company will at all times be capable of carrying on its business independently of Mr Cook and his connected persons and all transactions and arrangements between the Company and Mr Cook and his connected persons will be at arm's length and on normal commercial terms.

Details of the Relationship Agreement are set out in paragraph 12.3 of Part IV of this document.

17. Corporate Governance

The Directors acknowledge the importance of maintaining high standards of corporate governance.

The Quoted Companies Alliance Corporate Governance Code 2018 (the "**QCA Code**"), published by the Quoted Companies Alliance (the "**QCA**"), sets out a standard of minimum best practice for small and mid-size quoted companies. The Company intends, given its size and the constitution of the Board, to comply with the principles set out in the QCA Code from Admission.

The Company has appointed two independent, non-executive Directors (including the Chairman) to bring an independent view to the Board and to provide a balance to the executive Directors.

The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate activity. The Directors intend to hold meetings of the Board not less than seven times a year following Admission with additional meetings as and when required. Conditional on Admission, Calnex has established audit, remuneration, nomination and AIM compliance committees with formally delegated duties and responsibilities.

A. *Audit Committee*

The Audit Committee will have the primary responsibility of monitoring the quality of internal controls and ensuring that the financial performance of Calnex is properly measured and reported on. It will receive and review reports from the executive management team and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout Calnex. The Audit Committee will meet not less than twice in each financial year and will have unrestricted access to the Company's external auditors.

At Admission, the Audit Committee shall consist of the following persons:

Name	Position
Graeme Bissett	Chairman
George Elliott	Member
Ann Budge	Member

B. ***Remuneration Committee***

The Remuneration Committee will review the performance of the executive directors and make recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time. The Remuneration Committee will meet as and when necessary. In exercising this role, the Directors shall have regard to the recommendations set out in the QCA Code.

At Admission, the Remuneration Committee shall consist of the following persons:

Name	Position
Graeme Bissett	Chairman
George Elliott	Member
Ann Budge	Member

C. ***Nomination Committee***

The Nomination Committee will consider the selection and re-appointment of Directors. It will identify and nominate candidates to fill Board vacancies and review regularly the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations to the Board with regard to any changes.

At Admission, the Nomination Committee shall consist of the following persons:

Name	Position
George Elliott	Chairman
Ann Budge	Member
Graeme Bissett	Member
Tommy Cook	Member

D. ***AIM Compliance Committee***

The AIM Compliance Committee will be responsible for ensuring that the Company has in place at all times sufficient procedures, resources and controls to enable it to comply with the AIM Rules.

At Admission, the AIM Compliance Committee shall consist of the following persons:

Name	Position
Graeme Bissett	Chairman
George Elliott	Member
Ashleigh Greenan	Member

E. ***Share Dealing Code***

The Board intends to comply, and to procure compliance, with the Market Abuse Regulation and Rule 21 of the AIM Rules for Companies relating to dealings in the Company's securities by the Directors and other applicable employees. To this end, the Company has adopted the share dealing code and will take all reasonable steps to ensure compliance by the Directors and all relevant employees.

F. ***The Bribery Act***

The Bribery Act 2010, which prescribes criminal offences for businesses engaged or allowing others to engage in bribery or corrupt practices came into force 1 July 2011 and applies to Calnex and to the Directors by virtue of it being incorporated in the UK.

The Directors have regard to the impact of such legislation and have established appropriate procedures in order to comply with the same. To this end, Calnex employees are provided with training on the impact of the legislation and procedures are in place to allow for reporting and communication by the employees and to the Board of any matters which may or may not be relevant in ensuring that the daily operations are maintained in light of such legislation.

18. The Placing

Cenkos has entered into the Placing Agreement with the Company, the Directors and the Selling Shareholders. Under the Placing Agreement, Cenkos has conditionally agreed: (i) as agent of the Company, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price; and (ii) as agent of the Selling Shareholders, to use its reasonable endeavours to procure purchasers for the Sale Shares at the Placing Price. The Placing Shares are being sold to institutional and other qualified investors introduced by Cenkos.

The Placing comprises: (i) 12,500,000 new Ordinary Shares to be issued by the Company raising proceeds of approximately £5.0 million for the Company (net of commissions, fees and expenses); and (ii) 34,375,000 Sale Shares to be sold by the Selling Shareholders to raise gross proceeds of £16.5 million for the Selling Shareholders. The Company will not receive any proceeds from the sale of the Sale Shares being sold by the Selling Shareholders (all of which will be paid to the Selling Shareholders after deduction of placing commissions and, if any, stamp duty). The Selling Shareholders have agreed to satisfy any liability to stamp duty or stamp duty reserve tax (if any) arising on the sale of the Sale Shares.

The Placing, which is not being underwritten, is conditional, *inter alia*, upon:

- the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission; and
- Admission becoming effective not later than 5 October 2020, or such later date as Cenkos and the Company may agree, being not later than 19 October 2020.

The Placing Shares shall rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions declared, paid or made after the date of issue. The Placing Shares and the Sale Shares are expected to represent approximately 14.3 per cent. and 39.3 per cent. respectively of the Enlarged Issued Share Capital.

None of the Placing Shares has been marketed to or will be made available in whole or in part to the public in conjunction with the application for Admission.

The market capitalisation of the Company immediately following the Placing, at the Placing Price, will be £42.0 million. Application has been made to the London Stock Exchange for the Enlarged Issued Share Capital to be admitted to trading on AIM. Admission is expected to become effective and dealings in the issued Ordinary Shares are expected to commence on 5 October 2020.

Further details of the Placing Agreement are set out in paragraph 12.1 of Part IV of this document.

19. Admission, Settlement and CREST

Application has been made for all of the Ordinary Shares to be eligible for admission to CREST with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place in CREST if the relevant Shareholder so wishes. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a share certificate and transferred otherwise than by written instrument. The Articles permit the holding and transfer of Ordinary Shares under the CREST system. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so. Persons acquiring shares as a part of the Placing may elect to receive Ordinary Shares in uncertificated form if, but only if, that person is a "system-member" (as defined in the CREST Regulations) in relation to CREST.

It is expected that, subject to the satisfaction of the conditions of the Placing, the Placing Shares will be registered in the names of the placees subscribing for them and issued either: in certificated form, where the placee so elects, with the relevant share certificate expected to be dispatched by post, at the placees risk, by/or in CREST, where the placee so elects and only if the placee is a "system member" (as defined in the CREST Regulations) in relation to CREST, with delivery (to the designated CREST account) of the Ordinary Shares subscribed for expected to take place on 5 October 2020. Notwithstanding the election by placees as to the form of delivery of the Placing Shares, no temporary documents of title will be issued. All documents or remittances sent by or to a placee, or as they may direct, will be sent through the post at their risk. Pending the dispatch of definitive share certificates (as applicable), instruments of transfer will be certified against the Company's register of members.

20. Taxation

The attention of potential investors is drawn to paragraph 16 of Part IV of this document headed "UK Taxation". The tax rules and their interpretation relating to an investment in the Company may change during its life. Any change in the Company's tax status or in taxation legislation or its interpretation could affect the value of the investments held in the Company or the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders. Representations in this document concerning the taxation of the Company and its investors are based upon current tax law and practice which is, in principle, subject to change. Current and potential investors are strongly recommended to consult an independent financial adviser authorised under FSMA who specialises in investments of this nature before making any investment decision in respect of Ordinary Shares.

21. Further Information

Your attention is drawn to Part II of this document which contains risk factors relating to Calnex and its operations and to Part IV which contains additional information on the Group.

PART II

RISK FACTORS

Investing in the Company is speculative and involves a high degree of risk. You should carefully consider the entire contents of this document, including, but not limited to, the risk factors described below, before you decide to invest in the Company. As at the date of this document, the Directors consider the following risks to be the material risks of which they are aware and the most significant risks for shareholders and potential investors. Such risks have not been set out in any order of priority. In addition, you should note that the risks described below are not the only risks faced by Calnex. In particular, there may be additional risks that the Directors currently consider not to be material or of which they are not presently aware.

The risks noted below do not necessarily comprise all of the risks potentially faced by Calnex and are not intended to be presented in any assumed order of priority.

Although the Directors will seek to minimise the impact of the Risk Factors, investment in Calnex should only be made by investors able to sustain a total loss of their investment. Potential investors are strongly recommended to consult an investment adviser authorised under the Financial Services and Markets Act 2000 who specialises in investments of this nature before making any decision to invest.

1. General Risks

An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result. A prospective investor should consider with care whether an investment in the Company is suitable for them in light of their personal circumstances and the financial resources available to them.

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the investment objectives of the Company will be achieved. Investors may not get back the full or any amount initially invested.

The prices of shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to the future.

Changes in economic conditions including, for example, interest rates, rates of inflation, currency exchange rates, industry conditions, competition, political and diplomatic events and trends, tax laws and other factors can substantially and adversely affect equity investments and the Company's prospects.

2. Risks Relating to Calnex and its Business

(a) Regulation

The Group designs, produces and markets test instrumentation for network synchronisation and network emulation. The provision of test instrumentation for such purposes is not a regulated business and Calnex is not, therefore, regulated. It does however, provide products worldwide to Network Operators, Network Equipment Vendors, and Component Manufacturers developing networks, equipment and components for applications such as 4G/5G mobile infrastructure, industrial internet, video transport, security enterprise and SD-WAN, which may be regulated in their own jurisdictions and whose business may be affected by such regulation. There is a risk that parties with whom the Group trades or has other business relationships (including partners, customers, suppliers, subcontractors and other parties) may breach regulations or lose their regulated status. This may adversely affect the Group's customers' business, and, as a result, may also have a material adverse effect on the Group's business, revenue, financial condition, profitability, prospects and results of operations. Regulations are constantly under scrutiny and subject to change and there can be no assurance that future changes to such regulation will not alter the markets of the Group's customers.

Although Calnex itself is not regulated as a supplier of electronic test instrumentation, the Group is required to comply with certain regulations regarding safety, quality and radio frequency emissions standards in order to market its products in certain jurisdictions. These regulations can vary from country to country. While efforts are, and will be made, to ensure compliance with required standards and to obtain all necessary certifications, there is no guarantee that all of the Group's products will be able to achieve the necessary standards for certification in all the Group's target markets, and any delays in obtaining or failure to obtain any required certifications could have an adverse effect on sales in affected jurisdictions, leading to a material adverse effect on the Group's business, revenue, financial condition, profitability, prospects and results of operations.

(b) *Actions of third parties, including partners and contractors*

The Group is reliant to an extent on third parties, such as Kelvinside Electronics (see paragraph 2(d) of this Part II below) for various processes, products and services which the Group requires in order to deliver its products. There can be no assurance that these business relationships will continue to be maintained or that new ones will be successfully formed when required by the Group. Termination of these relationships and/or breach of arrangements agreed with such partners and contractors and/or failure of such partners and contractors to otherwise deliver the contracted services and/or failure to engage alternative contractors could have a material adverse effect on the business, revenue, financial condition, profitability, prospects and results of operations of the Group. In certain circumstances, the Group may be liable for the acts or omissions of its partners and/or contractors. If a third party pursues claims against the Group as a result of the acts or omissions of the Group's partners, Calnex's ability to recover from such partners and/or contractors may be limited.

(c) *Technological change*

The markets for the Group's products are characterised by rapidly changing technology, and increasingly sophisticated customer requirements. Changing customer requirements and the introduction of products or enhancements embodying new technology may render the Group's existing products obsolete, unmarketable or competitively impaired and may exert downward pressures on the pricing of existing products. It is critical to the success of the Group to be able to anticipate changes in technology or in industry standards and to successfully develop and introduce new, enhanced and competitive products on a timely basis and keep pace with technological change. This may place excessive strain on the Group's capital resources, which may adversely impact on the revenues and profitability of the Group or, if the Group has insufficient capital resources available to deploy, the Group's ability to achieve such developments. The Group can give no assurance that it will on a timely basis successfully develop new products or that enhanced and improved existing products will achieve market acceptance. The Group can give no assurance that the introduction of new products or the enhancement of existing products by third parties, or changing customer requirements, will not render the Group's existing products obsolete. The Group's inability to develop products that are competitive in technology and price and that meet customer needs could have a material adverse effect on the Group's business, revenue, financial condition, profitability, prospects and results of operations.

(d) *Manufacturing and relationship with Kelvinside Electronics*

Calnex outsources the manufacturing of its products to a single manufacturer, Kelvinside Electronics. Kelvinside procures and stocks all components (both electronic and mechanical parts) and manufactures the PCAs (Printed Circuit Assemblies) for Calnex's products. Calnex is therefore highly reliant on Kelvinside Electronics being able to manufacture Calnex's products within agreed timescales and in line with agreed specifications. In the event that Kelvinside Electronics is unable to meet product orders or that products manufactured by Kelvinside Electronics are found not to meet agreed specifications or are faulty, there could be a significant impact on Calnex's ability to fulfil customer orders and its reputation. Accordingly, this could have a material adverse effect on the Group's business, revenue, financial condition, profitability, prospects and results of operations.

Although Calnex's management team monitors Kelvinside Electronics' disaster recovery plans and the availability of alternative UK-based contract manufacturers with comparable capability and is satisfied that in the unlikely event of a manufacturing or other issue affecting Kelvinside Electronics, the Group should be able to manage the situation until the outage was resolved or production has been moved to an alternative supplier (including the sourcing of replacement components in the event it was not possible to transfer the stock held by Kelvinside Electronics), there can be no assurance that any outage will be capable of being resolved quickly or that an alternative supplier will be available on comparable terms. Accordingly, if this were to occur, it could have a material adverse effect on the Group's business, revenue, financial condition, profitability, prospects and results of operations.

(e) *Distribution and relationship with Spirent*

Spirent is Calnex's principal distribution partner. Spirent's distribution network provides Calnex with access to a number of its key markets, including the US, China and India. In FY20, 71 per cent. of Calnex's sales were distributed through Spirent. Given that the Spirent distributor relationship accounts for such a significant proportion of Calnex's annual revenue, and provides Calnex with access to key markets, it follows that Calnex's business, revenue, financial condition, profitability, prospects and results of operations could be materially adversely affected in the event of: (i) Spirent's non-performance or breach of its obligations under the distributor agreement with the Company; (ii) Spirent terminating its distributor agreement with Calnex, or electing not to renew the arrangement upon the expiry of its current term on substantially the same terms; and/or (iii) Spirent suffering a force majeure event, or a bankruptcy or insolvency event or similar, which results in Spirent ceasing or significantly reducing operations.

The Company's management team believes that the Spirent throughput in FY20 is not indicative of the Group's reliance on Spirent for revenues and that Calnex has strong direct relationships with the relevant end users, however, there can be no assurance that, if the Spirent distributor agreement comes to an end, the relevant end users will continue to purchase the Group's products through an alternative distributor. If the relationship ended and the Group was not able to secure alternative route to market, it could have a material adverse effect on the Group's business, revenue, financial condition, profitability, prospects and results of operations.

(f) *Unfavourable contract terms*

The Group has a small number of contractual relationships which include indemnities provided on an uncapped basis. Whilst these indemnities are limited in scope and application, such indemnities create an inherent risk that any liability on the Group's part for any breach could be material, given the uncapped basis. A successful claim under such indemnities may have a significant impact on the Group's business, revenue, financial condition, profitability, prospects and results of operations.

(g) *The Group's counterparties may become insolvent*

There is a risk that parties with whom the Group trades or has other business relationships (including partners, customers, suppliers, subcontractors and other parties) may become insolvent. This may be as a result of general economic conditions or factors specific to that company. In the event that a party with whom the Group trades becomes insolvent, this could have a material adverse impact on the Group's business, revenue, financial condition, profitability, prospects and results of operations.

(h) *Requirement to repay grant monies*

Calnex has been the recipient of significant government grant funding, primarily for research and development purposes from both the Scottish and Northern Irish Governments. Under the terms and conditions of such grant funding, the grant provider has, in the most part, the right to demand repayment of any such funding that has been received by the Group within the 5 year period from the date of the last claim. The majority of the grant funding that the Company has received to date has come from Scottish Enterprise, Scotland's national economic development agency, which is also a significant shareholder in the Company. Although in discussions with the Company's management Scottish Enterprise have been supportive of the Company's decision to seek admission of its share capital to trading on AIM and will remain a shareholder in the Company on Admission, there can be no assurance that Scottish Enterprise or any other grant provider will not demand repayment of grant funding that has been received by the Company. To the extent the Company was forced to repay such grant funding, this could have a material adverse effect on the Group's business, revenue, financial condition, profitability, prospects and results of operations.

(i) *Reliance on key individuals*

The Group's business, development and prospects are dependent on a number of key management personnel. The loss of the services of one or more of such key management personnel may have an adverse effect on the Group. The Directors believe that the experience, technical know-how and commercial relationships of the Group's key management personnel help provide the Group with strategic focus and a competitive advantage. The Group's ability to develop its business and achieve future growth and profitability will depend in a large part on the efforts of these individuals and the Group's ability when required to attract new key management personnel of a similar calibre. The Directors believe that the loss of the services of any key management personnel, for any reason, or failure to attract and retain necessary additional personnel, could have a material adverse effect on the Group's business, revenue, financial condition, profitability, prospects and results of operations. The Directors believe the Group operates a progressive and competitive remuneration policy which includes share incentives and that the future development and implementation of this policy will play an important part in retaining and attracting key management personnel.

(j) *Achievement of strategic aims*

The value of an investment in the Company is materially dependent on the Group achieving its strategic aims. The Group's strategy is outlined in Part I of this document. While the Directors are confident about the prospects for the Group, there can be no assurance that it will be capable of achieving its strategy or the anticipated revenues or growth or that it will be profitable on a sustainable basis. The Group's future operating results will be materially dependent upon how well it manages its planned strategy and the timeframe within which that strategy is executed.

(k) *Impact on the Group of Mergers & Acquisition Activity*

Part of Calnex's growth strategy is to make appropriate acquisitions to complement or enhance the Group's capabilities, product portfolio or addressable markets. Prior to making or proposing any acquisition or similar transaction, the Group intends to undertake due diligence on potential targets to a level considered reasonable and appropriate by the Group on a case by case basis. However, these efforts may not reveal all facts or circumstances that would be important to take account of before making a decision to proceed. In undertaking due diligence, the Group will need to utilise its own resources and may be required to rely upon third parties to conduct certain aspects of the due diligence process. Further, the Group may not have the ability to review all documents relating to the target company and assets. Any due diligence process involves subjective analysis and there can be no assurance that due diligence will reveal all material issues related to a potential transaction. Any failure to identify all material facts or circumstances relating to a potential transaction may have a material adverse effect on the business, revenue, financial condition, profitability, prospects and results of operations of the Group.

Furthermore, the Group's success will partially depend upon the Group's ability to integrate acquired businesses without significant disruption to its existing business. The integration of acquired businesses may divert management's attention from the ordinary course operation of the Group and raise unexpected issues and may take longer or prove more costly than anticipated. Although the Directors believe that such disruption is unlikely, issues that were not anticipated may come to light during the course of integrating businesses into the Group.

There can be no assurance that the Group will realise the potential benefits of any acquisitions made including, without limitation, potential synergies and cost savings to the extent and within the time frame contemplated.

If the Group is unable to integrate new operations successfully into the Group or if there were customer losses following a transaction then this could have a material adverse effect on the business, revenue, financial condition, profitability, prospects and results of operations of the Group.

(l) *Competitive position*

The Group operates in the Telecoms industry and the Group's competitors are, in many cases, significantly larger enterprises with greater financial and marketing resources. There may also be new entrants to the market. In response to competitive activity, the Group may be forced to make changes to its products or services. There can be no assurance that the Group's current competitors or new entrants to the market will not bring superior technologies, products or services to the market or equivalent products at a lower price which may have a material adverse effect on the Group's business, revenue, financial condition, profitability, prospects and results of operations.

(m) *Covid-19 Pandemic and Potential Similar Outbreaks*

Different regions in the world have from time to time experienced outbreaks of various viruses. At this time, a wide-spread global pandemic of COVID-19 is taking place. As the virus and diseases it causes are relatively new, an effective vaccine has yet to be developed. While COVID-19 is still spreading and the final implications of the pandemic are difficult to estimate at this stage, it is clear that it will affect the lives of a large portion of the global population.

While the value of robust Telecoms infrastructure has been demonstrated by the response of many companies to move to remote working, the ongoing COVID-19 pandemic and any possible future outbreaks of viruses may have a significant adverse effect on the Group. Firstly, a spread of such diseases amongst the employees of the Group, as well any quarantines affecting the employees of the Group or the Group's facilities, may reduce the ability of the Group's personnel to carry out their work and thereby affect the Group's operations. Secondly, the current pandemic and any possible future outbreaks of viruses may have an adverse effect on the Group's suppliers and/or transportation companies, resulting in a shortage of production inputs necessary for the Group to carry out its operations. Thirdly, any quarantines or spread of viruses may affect the ability of the customers of the Group to carry out their operations, which may adversely affect sales. Further to the above, the Group may be adversely affected by the wider macroeconomic effect of the ongoing COVID-19 pandemic and any possible future outbreaks. While the final effects of the COVID-19 pandemic are at this stage difficult to assess, it is possible that it will have substantial negative effect on the economies where the Group operates. These effects may also take place in the case of any possible future outbreaks. Any negative effect on the global economy may affect demand for the Group's products. Lastly, in case of an economic downturn, the price of the Group's securities and the ability of the Group to acquire further financing may be adversely affected. Any of the factors above could have a material adverse effect on the Group's business, revenue, financial condition, profitability, prospects and results of operations.

(n) *Damage to the Group's reputation or brand*

The Directors believe that the reputation and the quality of Calnex's brand will over time play an increasingly important role in the success of the Group. Further, the Directors believe that the Group's brand has and will continue to be built on the high quality of its products, service offering and customer service. The Calnex brand may be negatively affected by any negative publicity, regardless of accuracy. This includes any negative commentary on social media platforms, including weblogs, social media websites and other forms of internet based communications that provide individuals with access to a broad audience of consumers and other interested parties. Any incident that negatively affects customer loyalty towards the Calnex brand could have a material adverse effect on the Group's business, revenue, financial condition, profitability, prospects and results of operations.

(o) *Political and trading relationships between US, China and the UK*

Political and related trade relationships between the US, China and the UK have experienced volatility in recent years. In particular, the Company is aware of EAR (Export Administration Regulations), sanctions applied to Huawei by the US Government, which impact foreign companies, including UK companies, supplying products that include semiconductors that were produced using US technology to Huawei without a US license. The UK government has also recently announced that all Huawei equipment will be removed from the UK's 5G networks by the end of 2027 and that buying new Huawei 5G equipment after 31 December 2020 will be banned. These restrictions do not at present have any impact on the Group's ability to trade with Huawei; however, if further restrictions are imposed on Huawei, or any other customer of Calnex, they could have an adverse effect on the Group's business, revenue, financial condition, profitability, prospects and results of operations.

The Group does not currently have any individual customers (worldwide) which represent more than 10 per cent. of the Group's annual revenues. The Group has a broad range of customers in China, many of which are unaffected by US trade restrictions. The introduction of new, or amendments to existing, US, UK or China trading regulations or sanctions may impact the Group's ability to supply affected customers in the short, medium and long term. The imposition of restrictions that have impacted specific companies has historically not impacted on the overall demand for Calnex's products as demand has moved from customers affected by restrictions to those who are less affected.

The Directors continue to monitor the effect of changing trading regulations or sanctions on the Group's business, revenue, financial condition, profitability, prospects and results of operations.

(p) *The Group may be subject to risks related to Brexit*

On 31 January 2020, the United Kingdom left the European Union. There are significant uncertainties in relation to the terms and time frame within which the UK's future trading, regulatory and other relationships with European Union countries and countries with which the European Union has established trading relationships will be affected. There are significant uncertainties as to what the impact will be on the fiscal, monetary and regulatory landscape in the UK, including, *inter alia*, the UK's tax system, the conduct of cross-border business and export and import tariffs between the UK and the EU. There is also uncertainty in relation to how these developments will impact on the economy in the UK and the future growth of its various industries and on levels of investor activity and confidence, on market performance and on exchange rates. Although it is not possible to predict the effect of the UK's exit from the European Union, any of these risks could have a material adverse effect on the Group's business, revenue, financial condition, profitability, prospects and results of operations. At present, sales by the Group to customers in EU member states represent approximately 15 per cent. of the Group's annual revenues. Leaving the EU may also change the trading terms with other countries that the UK currently trades with under EU agreements which could impact the Group's business.

(q) *The Group may be subject to risks related to Scottish independence*

The possibility of Scottish independence from the UK creates a range of uncertainties for business in general, which would require careful assessment by the Directors. There could be changes in currency, taxation, general legislation, regulations and trading arrangements and agreements, together with economic prospects more generally. It is not possible to predict the effect of Scottish independence if it were to occur and the changes introduced could have only limited effect on the Group, be beneficial to the Group or could have a material adverse effect on the Group's business, revenue, financial condition, profitability, prospects and results of operations.

(r) *Insurance*

Although the Group takes appropriate advice on its insurance requirements, there can be no assurance that the Group's insurance cover is adequate to protect against every eventuality.

The occurrence of an event for which the Group did not have adequate insurance cover could have a material adverse effect on the Group's business, revenue, financial condition, profitability, prospects and results of operations.

(s) *Dependence on retaining existing customers and winning new customers*

The Group's success is partly dependent on retaining existing customers and winning new customers. Were a material number of customers to cease to use the Group's products and services then this could have a material adverse effect on the Group's business, revenue, financial condition, profitability, prospects and results of operations.

(t) *Financial controls and internal reporting procedures*

The Group currently has systems and controls in place in order to allow it to produce accurate and timely financial statements and to monitor and manage risks. If any of these systems or controls were to fail, the Group may be unable to produce financial statements accurately or on a timely basis which could have a material adverse effect on the Group's business, revenue, financial condition, profitability, prospects and results of operations.

(u) *The costs of compliance with AIM corporate governance and accounting requirements are significant*

In becoming a public company, the Company will be subject to enhanced requirements in relation to disclosure controls and procedures and internal control over financial reporting. The Company may incur significant costs associated with its public company reporting requirements, including costs associated with applicable AIM corporate governance requirements. The Company expects to incur significant legal and financial compliance costs as a result of these rules and regulations and if the Group does not comply with all applicable legal and regulatory requirements, this may have a material adverse effect on the Group's business, revenue, financial condition, profitability, prospects and results of operations.

(v) *Exchange rate movements*

The Company's reporting currency is UK sterling. The majority of orders, circa 85 per cent. in FY20, were received and settled in US dollars. Fluctuations in currency exchange rates, in particular sterling to US Dollar exchange rates, could have a material adverse effect on the Group's business, revenue, financial condition, profitability, prospects and results of operations.

3. Risks Relating to the Ordinary Shares

(a) *Suitability*

Investment in the Ordinary Shares may not be suitable for all readers of this document. Readers are accordingly advised to consult a person authorised under FSMA who specialises in investments of this nature before making any investment decisions.

(b) *Investment in AIM-traded securities*

Investment in shares traded on AIM involves a higher degree of risk, and such shares may be less liquid, than shares in companies which are listed on the Official List. The AIM Rules for Companies are less demanding than those rules that govern companies admitted to the Official List. It is emphasised that no application is being made for the admission of the Ordinary Shares to the Official List. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may therefore realise less than, or lose all of, their investment.

(c) *Share price volatility and liquidity*

The share price of quoted companies can be highly volatile and shareholdings can be illiquid. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to Calnex and its operations and others which may affect quoted companies generally. These factors could include the performance of Calnex, large purchases or sales of the Ordinary Shares, currency fluctuations, legislative changes and general economic, political, regulatory or social conditions.

(d) *Access to further capital*

Calnex may require additional funds to respond to business challenges, which could include enhancing existing products and services, acquisitions and further developing its sales and marketing channels and capabilities. Accordingly, Calnex may need to engage in equity or debt financings to secure additional funds. If the Company raises additional funds through further issues of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities could have rights, preferences and privileges superior to those of current shareholders. Any debt financing secured by Calnex in the future could involve restrictive covenants relating to its capital raising activities and other financial and operational matters, which may make it more difficult for Calnex to obtain additional capital and to pursue business opportunities. In addition, the Group may not be able to obtain additional financing on terms favourable to it, if at all. If Calnex is unable to obtain adequate financing or financing on terms satisfactory to it, when required, its ability to continue to support its business growth and to respond to business challenges could be significantly limited or could affect its financial viability.

(e) *Dilution*

If available, future financings to provide required capital may dilute shareholders' proportionate ownership in the Company. The Company may raise capital in the future through public or private equity financings or by raising debt securities convertible into Ordinary Shares, or rights to acquire these securities. Any such issues may exclude the pre-emption rights pertaining to the then outstanding shares. If the Company raises significant amounts of capital by these or other means, it could cause dilution for the Company's existing shareholders. Moreover, the further issue of Ordinary Shares could have a negative impact on the trading price and increase the volatility of the market price of the Ordinary Shares. The Company may also issue further Ordinary Shares, or create further options over Ordinary Shares, as part of its employee remuneration policy, which could in aggregate create a substantial dilution in the value of the Ordinary Shares and the proportion of the Company's share capital in which investors are interested.

(f) *Future sale of Ordinary Shares*

The Company is unable to predict when and if substantial numbers of Ordinary Shares will be sold in the open market following Admission. In particular there can be no assurance that Tommy Cook, nor any other Director or other party to a Lock-In and Orderly Market Arrangement, will not elect to sell their Ordinary Shares following the expiry of their Lock-In Arrangement, details of which are set out in paragraph 12.2 of Part IV of this document or otherwise. Any such sales, or the perception that such sales might occur, could result in a material adverse effect on the market price of the Ordinary Shares.

(g) *Dividends*

There can be no assurance as to the level of future dividends. Subject to compliance with the Act and the Articles, the declaration, payment and amount of any future dividends are subject to the discretion of the Directors, and will depend on, *inter alia*, the Company's earnings, financial position, cash requirements, availability of profits and the Company's ability to access, and repatriate within the Group, cash flow and profits generated outside of the UK. A dividend may never be paid and, at present, there is no intention to pay a dividend prior to the financial year ended 31 March 2022.

In forming their dividend policy the Directors have taken into account *inter alia* the trading outlook for the foreseeable future, recent operating results, budgets for the following financial year, prospective levels of financial gearing and banking covenants and current and planned capital investment requirements of the Group. Any material change or combination of changes to these factors may require a revision of this policy.

(h) No guarantee that the Ordinary Shares will continue to be traded on AIM

The Company cannot guarantee investors that the Ordinary Shares will always be traded on AIM or on any other exchange. If such trading were to cease, certain investors may decide to sell their shares which would have an adverse impact on the price of the Ordinary Shares. Additionally, if in the future the Company decides to obtain a listing on another exchange in addition or as an alternative to AIM, the level of liquidity of the Ordinary Shares traded on AIM could decline.

(i) Legislation and tax status

This document has been prepared on the basis of current legislation, regulation, rules and practices and the Directors' interpretation thereof. Such interpretation may not be correct and it is always possible that legislation, rules and practice may change. Any change in legislation or regulation and, in particular, in tax status or tax residence of the Company or in tax legislation or practice may have an adverse effect on the returns available on an investment in the Company.

(j) Taxation

The attention of potential investors is drawn to paragraph 16 of Part IV of this document headed "UK Taxation". The tax rules and their interpretation relating to an investment in the Company may change during its life. Any change in the Company's tax status or in taxation legislation or its interpretation could affect the value of the investments held in the Company or the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders. Representations in this document concerning the taxation of the Company and its investors are based upon current tax law and practice which is, in principle, subject to change. Current and potential investors are strongly recommended to consult an independent financial adviser authorised under FSMA who specialises in investments of this nature before making any investment decision in respect of Ordinary Shares.

(k) Forward-looking statements

All statements other than statements of historical facts contained in this document, including (without limitation) statements regarding the Group's future financial position, business strategy and plans, business model and approach and objectives of management for future operations, are forward-looking statements, assessments, estimates or projections (collectively, "forward-looking statements"). Generally, the forward-looking statements in this document use words like "anticipate", "believe", "target", "aim", "could", "would", "should", "estimate", "expect", "future", "intend", "may", "opportunity", "plan", "potential", "project", "seek", "will" and similar terms, or may be identified by context or perspective. Any such forward-looking statements are subject to numerous assumptions, and involve numerous known and unknown risks and uncertainties and other factors, many of which are beyond the Group's ability to control, that may cause the actual results, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expected or anticipated or expressed or implied by such forward-looking statements. These forward-looking statements speak only as at the date of this document and the forward looking events discussed in this document might not occur. Therefore, prospective investors should not place any reliance on any forward-looking statements. The Group expressly disclaims any obligation or undertaking to release or disseminate any updates or revisions to any forward-looking statement contained herein, save as required to comply with any legal or regulatory obligations, to reflect any change in the Group's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statement is based. Although all forward looking statements in this document regarding the Group or the Placing/Admission are based on current beliefs, assumptions and expectations, the forward-looking statements have been made in good faith by the Company, and are believed to be reasonable under the circumstances and at the time made. The Company makes no representation or warranty, and gives no promise or assurance, regarding any forward looking statement. The inclusion of any item in a risk factor shall not be deemed an admission of liability.

PART III

FINANCIAL INFORMATION ON THE GROUP

SECTION A: INDEPENDENT REASONABLE ASSURANCE REPORT ON THE HISTORICAL CONSOLIDATED FINANCIAL INFORMATION OF CALNEX SOLUTIONS PLC

The following is the full text of a report on the Group from RSM Corporate Finance LLP, the Reporting Accountants, to the Directors of the Company.

RSM

25 Farringdon Street
London
EC4A 4AB
United Kingdom

T +44 (0)20 3201 8000
F +44 (0)20 3201 8001

The Directors
Calnex Solutions plc
Oracle Campus
Linlithgow
West Lothian
EH49 7LR

21 September 2020

Dear Sirs,

Calnex Solutions plc (the "Company") and its subsidiary undertakings (the "Group")

We report on the historical consolidated financial information of the Group set out in Section B of Part III of the admission document dated 21 September 2020 (the "Admission Document") of the Company. This historical consolidated financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out at Note 3 to the historical consolidated financial information. This report is required by Rule 18 of Annex 1 of the Prospectus Regulation Rules as applied by part (a) of Schedule Two to the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Save for any responsibility arising under Rule 18 of Annex 1 of the Prospectus Regulation Rules as applied by part (a) of Schedule Two to the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law, we do not accept or assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Rule 18 of Annex 11 of the Prospectus Regulation Rules as applied by part (a) of Schedule Two to the AIM Rules for Companies, or consenting to its inclusion in the Admission Document.

Responsibilities

The directors of the Company (the "Directors") are responsible for preparing the historical consolidated financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the historical consolidated financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the historical consolidated financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the historical consolidated financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdictions other than the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those other standards and practices.

Opinion

In our opinion, the historical consolidated financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of part (a) of Schedule Two to the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Rule 1.2 of Annex 1 and Rule 1.2 of Annex 11 of the Prospectus Regulation Rules as applied by part (a) of Schedule Two to the AIM Rules for Companies.

Yours faithfully

RSM Corporate Finance LLP

Regulated by the Institute of Chartered Accountants in England and Wales

SECTION B: HISTORICAL CONSOLIDATED FINANCIAL INFORMATION ON CALNEX SOLUTIONS PLC FOR THE THREE YEARS ENDED 31 MARCH 2020

Consolidated statement of comprehensive income

	Note	Year ended 31 March 2020 £	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Revenue	6	13,738,839	10,503,641	8,418,378
Costs of sales		(3,116,403)	(2,279,444)	(2,323,270)
Gross profit		10,622,436	8,224,197	6,095,108
Other income	7	548,980	550,354	464,068
Administrative expenses		(7,852,344)	(5,878,108)	(5,377,839)
Operating profit		3,319,072	2,896,443	1,181,337
Finance costs	12	(338,601)	(383,253)	(274,983)
Profit before taxation		2,980,471	2,513,190	906,354
Taxation	13	(693,282)	(372,338)	(155,754)
Profit and total comprehensive income for the year		2,287,189	2,140,852	750,600
Profit and total comprehensive income for the year attributable to:				
Continuing operations		2,787,682	2,140,852	750,600
Discontinued operations	9	(500,493)	—	—
		2,287,189	2,140,852	750,600

Consolidated statement of financial position

	Note	As at 31 March 2020 £	As at 31 March 2019 £	As at 31 March 2018 £
Non-current assets				
Intangible assets	14	6,778,757	6,189,990	5,381,833
Property, plant and equipment	15	20,681	12,763	25,842
Right-of-use assets	20	659,872	64,418	160,781
Deferred tax asset	21	553,797	506,988	411,586
Trade and other receivables	17	–	279,322	256,874
		8,013,107	7,053,481	6,236,916
Current assets				
Inventories	16	958,334	773,151	785,399
Trade and other receivables	17	2,421,199	1,780,090	1,290,389
Corporation tax receivable		86,895	220,591	582,094
Cash and cash equivalents	18	3,663,878	1,852,091	784,450
		7,130,306	4,625,923	3,442,332
Total assets		15,143,413	11,679,404	9,679,248
Current liabilities				
Borrowings	18	2,276,307	532,996	285,000
Trade and other payables	19	3,026,414	2,598,711	2,237,349
Lease liabilities	20	122,235	93,155	127,626
Financial liabilities	23	117,139	52,239	52,239
Provisions	22	289,020	245,070	187,963
		5,831,115	3,522,171	2,890,177
Non-current liabilities				
Borrowings	18	–	2,041,424	2,535,000
Trade and other payables	19	555,346	463,921	757,561
Lease liabilities	20	553,588	-	93,155
Deferred tax liabilities	21	1,188,262	979,397	871,716
Provisions	22	15,000	15,000	15,000
		2,312,196	3,499,742	4,272,432
Total liabilities		8,143,311	7,021,913	7,162,609
Net assets		7,000,102	4,657,491	2,516,639
Equity				
Share capital		24,814	24,814	24,814
Share premium		1,138,007	1,138,007	1,138,007
Share option reserve		68,745	13,323	13,323
Retained earnings		5,768,536	3,481,347	1,340,495
Total equity		7,000,102	4,657,491	2,516,639

Consolidated cash flow statement

	Year ended 31 March 2020 £	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Cash flows from operating activities			
Profit before tax from continuing operations	3,480,964	2,513,189	906,354
Adjusted for:			
Finance costs	338,601	383,253	274,983
Foreign exchange differences	(94,284)	(114,673)	126,918
Government grant income	(220,245)	(237,098)	(194,884)
R&D Tax credit income	(328,735)	(309,832)	(269,184)
Change in fair value of assets and liabilities	192,820	16,415	(75,388)
Movement in obsolescence provision	5,814	120,569	65,144
Movement in provisions	43,950	57,107	56,785
Share based payments transactions	55,422	—	—
Bargain gain on acquisition	—	—	(147,471)
Depreciation	146,668	115,194	113,516
Amortisation	2,321,805	2,070,837	1,676,642
Movement in inventories	(190,996)	(108,321)	40,569
Movement in trade and other receivables	(355,654)	(378,041)	(228,793)
Movement in trade and other payables	706,601	372,874	(382,198)
Net cash used in discontinued operations	(298,639)	—	—
Cash generated from operations	5,804,092	4,501,473	1,962,993
Income tax recovered	—	288,827	263,882
Interest paid	(277,728)	(312,612)	(171,045)
Net cash from operating activities	**5,526,364**	**4,477,688**	**2,055,830**
Investing activities			
Purchase of intangible assets	(2,910,572)	(2,878,994)	(2,607,594)
Purchases of property, plant and equipment	(30,087)	(5,752)	(5,057)
Net cash used in investing activities	**(2,940,659)**	**(2,884,746)**	**(2,612,651)**
Financing activities			
Cash obtained in acquisition	—	—	5,269
Proceeds from borrowings	—	—	2,820,000
Repayment of borrowings	(298,113)	(245,580)	(1,770,516)
Payment of lease obligations	(163,333)	(144,794)	(144,794)
Payment of deferred consideration	(413,664)	(256,363)	(93,136)
Government grant income	72,521	118,421	186,439
Net cash from financing activities	**(802,589)**	**(528,316)**	**1,003,262**
Net increase in cash and cash equivalents	1,783,116	1,064,626	446,441
Cash and cash equivalents at beginning of the year	1,852,091	784,450	354,933
Foreign exchange movements	28,671	3,015	(16,924)
Cash and cash equivalents at end of the year	**3,663,878**	**1,852,091**	**784,450**

Consolidated statement of changes in equity

	Share capital £	Share premium £	Share option reserve £	Retained earnings £	Total equity £
Balance at 1 April 2017	23,742	1,042,678	13,323	589,895	1,669,638
Profit for the year	—	—	—	750,600	750,600
Total comprehensive income for the year	—	—	—	750,600	750,600
Issue of shares	1,072	95,329	—	—	96,401
Balance at 31 March 2018	**24,814**	**1,138,007**	**13,323**	**1,340,495**	**2,516,639**
Profit for the year	—	—	—	2,140,852	2,140,852
Total comprehensive income for the year	—	—	—	2,140,852	2,140,852
Balance at 31 March 2019	**24,814**	**1,138,007**	**13,323**	**3,481,347**	**4,657,491**
Profit for the year	—	—	55,422	2,287,189	2,342,611
Total comprehensive income for the year	—	—	55,422	2,287,189	2,342,611
Balance at 31 March 2020	**24,814**	**1,138,007**	**68,745**	**5,768,536**	**7,000,102**

NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

1 General information

Company information

Calnex Solutions plc (the "Company") is a private limited company domiciled and incorporated in Scotland. The registered office is Oracle Campus, Linlithgow, West Lothian, EH49 7LR.

The Company (together with its subsidiaries, the "Group") were under the control of the directors throughout the period covered in the Historical Consolidated Financial Information ("HFI"). The list of the subsidiaries consolidated in the HFI is shown in Note 28.

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

(a) Statement of compliance

The HFI 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").

(b) Basis of accounting

The HFI is prepared on the historical cost basis except for certain financial assets and liabilities, including financial instruments, which are stated at their fair values.

The preparation of the HFI in conformity with IFRS requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense. The estimates and judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the HFI.

(c) Functional and presentation currency

The HFI is prepared in pounds sterling, which is the functional currency of the Group. Monetary amounts in the HFI are rounded to the nearest £.

(d) Basis of consolidation

The HFI sets out the Group's financial position at 31 March 2018, 2019 and 2020 and the Group's financial performance for the years then ended.

The financial statements of the subsidiaries are prepared to the same reporting date using accounting policies consistent with those of the Company. Intra-group transactions and balances, including any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in full.

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly (but normally through voting rights granted through the Company's shareholdings), to govern the financial and operating policies of an entity to obtain benefits from its activities.

(e) Adoption of new and revised Standards

The following new and revised Standards and Interpretations have been issued and are effective for the financial periods presented.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments* took effect from 1 January 2018 and has been adopted using the full retrospective method. The Group has elected to restate comparatives in respect of the classification and measurement of financial instruments.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 April 2017.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Group reviewed and assessed the Group's existing financial assets as at 1 April 2017 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had no impact on the Group's financial assets as regards their classification and measurement.

For the years presented the Group does not have any financial assets classified as fair value through other comprehensive income ("FVOCI") or fair value through profit and loss ("FVTPL").

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Because the Group has elected to restate comparatives, for the purpose of assessing whether there has been a significant increase in credit risk since initial recognition of financial instruments that remain recognised on the date of initial application of IFRS 9 (i.e. 1 April 2017), the directors have compared the credit risk of the respective financial instruments on the date of their initial recognition to their credit risk as at 1 April 2017.

The calculated expected credit loss on trade receivables is considered immaterial therefore no adjustments have been made.

(c) Classification and measurement of financial liabilities (continued)

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Changes in fair value attributable to a financial liability's credit risk are subsequently transferred to retained earnings when the financial liability is derecognised.

The application of IFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities.

IFRS 15 Revenue From Contracts With Customers

IFRS 15 *Revenue From Contracts With Customers* also took effect from 1 January 2018 and has been adopted using the full retrospective method.

The Group's accounting policies for its revenue streams are disclosed in detail in the accounting policy in Note 3. Apart from providing more extensive disclosures for the Group's revenue transactions, the application of IFRS 15 has also resulted in the deferral of revenue that would not have been deferred under previous Generally Accepted Accounting Principles.

IFRS 16 Leases

IFRS 16 *Leases* also took effect from 1 January 2018 and has been adopted using the full retrospective method.

The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities.

Other revised interpretations, amendments and annual improvements to IFRSs

In the years presented, the Group has applied a number of other revised Interpretations, Amendments and Annual Improvements to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2018.

Amendments:

Amendments to IFRS 2: *Share Based Payments*	The Group has adopted the amendments to IFRS 2: *Share Based Payments* in the years presented. The amendments clarify the classification and measurement of share-based payment transactions.
IFRIC 22: *Foreign Currency Transactions and Advance Consideration*	The Group has adopted IFRIC 22: *Foreign Currency Transactions and Advance Consideration* in the years presented. IFRIC 22 addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue). The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

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

3 Accounting policies

(a) Revenue recognition

Revenue 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 sales related taxes and discounts and is recognised at the point in time when the relevant performance obligation is satisfied.

Where revenue contracts have multiple elements, all aspects of the transaction are considered to determine whether these elements can be separately identified. Where transaction elements can be separately identified and revenue can be allocated between them on a fair and reliable basis, revenue for each element is accounted for according to the relevant policy below. Where transaction elements cannot be separately identified, revenue is recognised over the contract period.

The Group recognises revenue from the following major sources:

Hardware & software revenue

Revenue from the sale of hardware and bundled software, is recognised when the Group despatches to the customer. Each unit sale comes with a standard warranty period during which the Group agrees to provide warranty cover, maintenance cover and software upgrade cover in the event of any software upgrades being released. This is recognised as a separately identifiable obligation from the provision of the hardware and is recognised over the life of the cover provided, being a year.

For the sale of stand-alone software, the licence period and therefore the revenue recognition, commences upon delivery.

Extended warranty programme

The Group enters into agreements with purchasers of its equipment to perform necessary repairs falling outside the Group's standard warranty period. As this service involves an indeterminate number of acts, the Group is required to 'stand ready' to perform whenever a request falling within the scope of the program is made by a customer. Revenue is recognised on a straight-line basis over the term of the contract. This method best depicts the transfer of services to the customer as: (a) the Group's historical experience demonstrates no statistically significant variation in the quantum of services provided in each year of a multi-year contract; and (b) no reliable prediction can be made as to if and when any individual customer will require service.

Software support programme

The Group enters into agreements with purchasers of its equipment to provide Software Support and access to future software updates. Revenue is recognised on a straight-line basis over the term of the contract.

Grant income

The Group obtains grant funding from the Scottish Government in the form of reimbursement for research and development costs eligible for reclaim under the grant agreement. Costs are incurred before they can be reclaimed under the grant agreement and revenue is only recognised after receipt of the funds from the government. Grant funds received are recognised over five years, in line with the amortisation policy on capitalised research and development costs.

(b) Retirement benefit costs

Payments to defined contribution schemes are charged to the income statement as an expense as they fall due.

(c) Share-based payments

Equity-settled share-based compensation benefits are provided to some employees. Equity-settled transactions are awards of shares, or options over shares that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

All changes in the liability are recognised in profit or loss.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(d) Taxation

The tax expense represents the sum of the current tax and deferred tax charge for the year.

The tax currently payable is based on taxable profit for the year. The Group's liability for current tax is calculated using the tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is measured on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases, as 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of financial assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 the relevant requirements of IAS 12 are satisfied.

(e) Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair value of the assets transferred, equity instruments issued or liabilities incurred by the Group to former owners of the acquire. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss.

The difference between the acquisition-date fair value of assets acquired and liabilities assumed and the fair value of the consideration transferred is recognised as goodwill. If the consideration transferred is less than the fair value of the identifiable net assets acquired, a bargain purchase is recognised as a gain directly in profit or loss by the Group on the acquisition-date.

Business combinations are initially accounted for on a provisional basis. The Group retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

(f) Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5 years.

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Amortisation is charged to administration expenses in the Statement of Comprehensive Income.

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

(g) Financial assets

Other business assets

Where there is no publicly quoted market value, other investments, including subsidiaries, are shown at cost less provisions for impairment.

(h) Property, plant and equipment

Property, plant and equipment are shown at cost, net of depreciation and any provision for impairment. Depreciation is provided on all property, plant and equipment at varying rates calculated to write off cost less residual value over the useful lives. Depreciation is charged to administration expenses in the Statement of Comprehensive Income. The principal rates employed are:

Plant and machinery 25-33% straight line

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate these values may not be recoverable. If there is an indication that impairment does exist, the carrying values are compared to the estimated recoverable amounts of the assets concerned. The recoverable amount is the greater of an asset's value in use and its fair value less the cost of selling it. Value in use is calculated by discounting the future cash flows expected to be derived from the asset. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down through the income statement to its recoverable amount.

An item of property, plant and equipment is written off either on disposal or when there is no expected future economic benefit from its continued use. Any gain or loss (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the income statement in the year.

(i) Right-of-use-assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

(j) Inventories

Inventories are valued at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods for resale, the average purchase price is used. For work in progress and finished goods, cost is taken as production cost which includes an appropriate proportion of overheads.

Inventories are assessed for indicators of impairment at each year end and where a provision is required the income statement is charged directly.

(k) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses.

The simplified approach to measuring expected credit losses has been applied, this uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

(l) Cash and cash equivalents

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

(m) Borrowings

Interest-bearing loans and bank overdrafts are initially recorded at the fair value of proceeds received and are subsequently stated at amortised cost. Finance charges, including premia payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

(n) Trade and other payables

Trade payables are non interest-bearing and are measured at amortised cost.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

(p) Financial liabilities

Financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of that instrument.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The changes in fair value are recorded in the statement of comprehensive income.

The Company recognises warrants in issue as financial liabilities and re-measures them whenever the terms of the warrants are changed, with any gain or loss recognised in the profit or loss.

The fair value of Company equity is included in the initial recognition of warrants as a financial liability. The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment.

(q) Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are re-measured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is re-measured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

(r) Foreign currencies

In preparing the financial statements of individual companies, transactions in currencies other than pounds sterling are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the foreign exchange rate ruling at that date. Exchange differences arising on translation are recognised in the consolidated income statement for the period.

Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the rates prevailing at the dates when the fair value was determined. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency (e.g. property, plant and equipment purchased in a foreign currency) are translated using the exchange rate prevailing at the date of the transaction. Exchange differences arising on the translation of net assets are effected through the Statement of Comprehensive Income.

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 and recognised in the Statement of Comprehensive Income.

(s) Critical judgements in applying the Group's accounting estimates

In the process of applying the Group's accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the HFI (apart from those involving estimations, which are dealt with below).

Business combinations

The Group's policies require that a fair value be attributed to the assets and liabilities of an acquired business, including internally developed assets that may not be recognised by the acquired business, at the date of acquisition. The directors use their judgement to identify the separate intangible assets and then determine a fair value for each based upon the nature of the asset, industry statistics, future potential and other relevant factors.

Any consideration provided including deferred or contingent consideration is recognised at fair value at the date of acquisition. The directors have made estimates regarding the fair value of equity instruments transferred.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Impairment

Determining whether any non-current asset has been impaired requires an estimation of the value in use of the cash generating units to which these assets are allocated. The value in use calculation requires the Group to identify appropriate cash generating units, to estimate the future cash flows expected to arise from each cash generating unit and a suitable discount rate in order to calculate present value. Impairment exercises on fixed tangible assets, goodwill and indefinite life intangible assets have been undertaken in the years as described in the relevant notes.

Useful lives

The Group uses forecast cash flow information and estimates of future growth to assess whether goodwill and other intangible fixed assets are impaired, and to determine the useful economic lives of its goodwill and intangible assets. If the results of operations in a future period are adverse to the estimates used, a reduction in useful economic life may be required.

(t) Discontinued operation

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

(u) New and revised IFRSs in issue but not yet effective

At the date of authorisation of these HFI, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and (in some cases) have not yet adopted by the EU:

Amendments:
IFRS 9: Prepayment Features With Negative Compensation
IAS 19: Plan Amendment, Curtailment or Settlement
IAS 28: Investments in Associates and Joint Ventures
Amendments to IAS 1 and IAS 8: Definition of Materiality
Annual Improvements 2015-2017 Cycle

Revised interpretations:
IFRIC 23: Uncertainty Over Income Tax Treatments

New or revised standards:
IFRS 17: Insurance Contracts

These amendments and revised standards and interpretations are not expected to have a material impact on the Group's results.

4 Going concern

The HFI has been prepared on a going concern basis.

The business has not seen any material impact on trading as a result of the recent 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 the 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 (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 does not consider segmentation in their review of costs or the statement of financial position. The only operating segment information reviewed, and therefore disclosed, are the revenues derived from different geographies.

	Year ended 31 March 2020 £	**Year ended 31 March 2019 £**	**Year ended 31 March 2018 £**
Americas	4,078,605	3,668,565	2,615,209
North Asia	6,788,321	3,197,671	3,264,349
ROW	2,250,251	2,995,454	2,364,146
UK	621,662	641,951	174,674
	13,738,839	10,503,641	8,418,378

6 Revenue

	Year ended 31 March 2020 £	**Year ended 31 March 2019 £**	**Year ended 31 March 2018 £**
Sale of goods	12,472,402	9,657,090	7,726,206
Rendering of services	1,266,437	846,551	692,172
Total revenue	13,738,839	10,503,641	8,418,378
Revenue from the sale of goods from:			
Continuing operations	12,347,673	9,657,090	7,726,206
Discontinued operations	124,729	—	—
	12,472,402	9,657,090	7,726,206

7 Other income

	Year ended 31 March 2020 £	**Year ended 31 March 2019 £**	**Year ended 31 March 2018 £**
Government grant income	220,245	237,098	194,884
R&D tax credit	328,735	309,832	269,184
Other operating income	—	3,424	—
Total other income	548,980	550,354	464,068

8 Material profit or loss items

The Group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

		Year ended 31 March 2020 £	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Low-value assets lease payments	20	37,895	40,292	9,900
Depreciation of right-of-use assets	20	124,499	96,363	96,363
Depreciation of tangible assets	15	22,169	18,831	17,153
Amortisation of intangible assets	14	2,321,805	2,070,837	1,676,642
Foreign exchange differences		(94,284)	(114,673)	126,918
Fair value loss/(gain) on financial instruments		192,820	16,415	(75,388)
Provision for obsolescence	16	5,814	120,569	65,144
Other provisions	22	43,950	57,107	56,785
Share-based payments expense		55,422	—	—
Bargain purchase gain	27	—	—	(147,471)

9 Discontinued operations

On 6 May 2019, the Company acquired the trade and assets of a small German-based business, Luceo Technologies, 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 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 by 31 December 2020. On 18 March 2020 the Group submitted an order for dissolution for its subsidiary, Calnex Solutions (Berlin) Limited (incorporated in April 2019).

The results of, and the net cash flows incurred by, the discontinued operations were as follows:

	Year ended 31 March 2020 £
Revenue	124,729
Cost of sales	(82,493)
Gross profit	42,236
Administrative expenses	(542,729)
Finance costs	—
Loss before tax from discontinued operations	(500,493)
Net decrease in cash and cash equivalents from discontinued operations	(298,639)

10 Employee benefits costs

Average monthly number of employees during the year:

	Year ended 31 March 2020 No.	Year ended 31 March 2019 No.	Year ended 31 March 2018 No.
Group	82	73	71

	Year ended 31 March 2020 £	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Employee costs during the year (including directors remuneration) amounted to:			
Wages and salaries	3,570,852	2,458,966	2,337,171
Social security costs	473,234	348,596	299,843
Defined contribution pension costs	149,861	154,577	128,294
Share based payment liability	55,422	—	—
	4,249,369	2,962,139	2,765,308

11 Key management personnel emoluments

	Year ended 31 March 2020 £	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Wages and salaries	604,121	388,267	282,490
Social security costs	40,017	37,023	27,006
Defined contribution pension costs	—	6,544	3,301
Share based payment liability	21,531	—	—

12 Finance costs

	Year ended 31 March 2020 £	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Interest expense for borrowings at amortised cost	277,728	312,612	181,030
Interest expense on lease liabilities (note 20)	26,048	17,168	29,816
Unwinding of discount on deferred consideration (note 19)	34,825	53,473	64,137
	338,601	383,253	274,983

13 Taxation

	Year ended 31 March 2020 £	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Current taxation			
UK corporation tax on profits for the year	496,912	350,060	(5,010)
Foreign current tax expense	34,314	10,000	—
Deferred taxation			
Effect of timing differences	208,865	107,680	177,498
Tax losses	(46,809)	(95,402)	(16,734)
Taxation charge	693,282	372,338	155,754

	Year ended 31 March 2020 £	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Factors affecting tax charge for the year			
Profit before tax for the year	2,980,471	2,513,189	906,354
Tax thereon at 19%	566,289	477,507	172,207
Effects of:			
Expenses not deductible for tax purposes	7,392	702	220
Capital allowances and depreciation	(4,708)	2,057	2,241
Unused tax losses within Group	2,836	—	(59,954)
R&D relief	(116,970)	(141,893)	(119,724)
Non-UK losses	56,405	11,687	—
Timing differences	157,038	12,278	160,764
Overseas tax	25,000	10,000	—
Taxation charge	693,282	372,338	155,754

14 Intangible assets

	Intellectual property £	Development costs £	Total £
Cost			
At 1 April 2017	1,790,216	15,380,216	17,170,432
On acquisition	507,250	—	507,250
Additions	6,070	2,601,524	2,607,594
At 31 March 2018	2,303,536	17,981,740	20,285,276
Additions	10,456	2,868,538	2,878,994
At 31 March 2019	2,313,992	20,850,278	23,164,270
Additions	28,364	2,882,208	2,910,572
At 31 March 2020	**2,342,356**	**23,732,486**	**26,074,842**
Amortisation			
At 1 April 2017	1,756,928	11,469,873	13,226,801
Charge for year	23,758	1,652,884	1,676,642
At 31 March 2018	1,780,686	13,122,757	14,903,443
Charge for year	117,097	1,953,740	2,070,837
At 31 March 2019	1,897,783	15,076,497	16,974,280
Charge for year	135,620	2,186,185	2,321,805
At 31 March 2020	**2,033,403**	**17,262,682**	**19,296,085**
Net book value			
At 31 March 2018	522,850	4,858,983	5,381,833
At 31 March 2019	416,209	5,773,781	6,189,990
At 31 March 2020	**308,953**	**6,469,804**	**6,778,757**

Included within intellectual property are the following significant items:

Cost of patent applications and on-going patent maintenance fees.

Capitalised development costs represent expenditure developing technological advancements to ensure the Group is at the forefront of technology that fulfils the requirement 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.

15 Property, plant and equipment

	Plant and Equipment £
Cost	
At 1 April 2017	163,229
On acquisition	8,472
Additions	5,057
At 31 March 2018	176,758
Additions	5,752
Disposals	(29,045)
At 31 March 2019	153,465
Additions	30,087
Disposals	(15,814)
At 31 March 2020	167,738
Depreciation	
At 1 April 2017	133,763
Charge for year	17,153
At 31 March 2018	150,916
Charge for year	18,831
On disposals	(29,045)
At 31 March 2019	140,702
Charge for year	22,169
On disposals	(15,814)
At 31 March 2020	147,057
Net book value	
At 31 March 2018	25,842
At 31 March 2019	12,763
At 31 March 2020	20,681

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

16 Inventories

	As at 31 March 2020 £	As at 31 March 2019 £	As at 31 March 2018 £
Finished goods	1,211,783	1,020,786	912,465
Provision for obsolescence	(253,449)	(247,635)	(127,066)
	958,334	773,151	785,399
Cost of inventories recognised as an expense	2,792,590	1,932,926	1,912,669

Group inventories reflect following movement in provision for obsolescence:			
At start of financial year	247,635	127,066	61,922
Released	(132,270)	(40,000)	—
Provided	138,084	160,569	65,144
At end of financial year	253,449	247,635	127,066

17 Trade and other receivables

	As at 31 March 2020 £	As at 31 March 2019 £	As at 31 March 2018 £
Amounts due within one year			
Trade receivables	1,961,578	1,644,211	1,025,980
Provision for bad debts	(15,938)	—	—
Other receivables	381,131	71,663	110,814
Prepayments and accrued income	94,428	64,216	153,595
	2,421,199	1,780,090	1,290,389
Amounts due after one year			
Other receivables	—	279,322	256,874
Total amounts due	2,421,199	2,059,412	1,547,263

Trade receivables are consistent with trading levels across the Group but are also affected by exchange rate fluctuations.

No interest is charged on the trade receivables. The Group has provided for estimated irrecoverable amounts in accordance with its accounting policy.

The Group's credit risk is primarily attributable to its trade and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed for customers requiring credit over a certain amount and as appropriate. In addition, credit insurance would be sought for major areas of exposure, although this has not been required in the period under review. The Group reviews trade receivables past due but not impaired on a regular basis and considers, based on past experience, that the credit quality of these amounts at the balance sheet date has not deteriorated since the transaction was entered into and so considers the amounts recoverable. Regular contact is maintained with all such customers and, where necessary, payment plans are in place to further reduce the risk of default on the receivable. The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses.

Included in the Group's trade receivable balance are debtors with a carrying amount of 2020: £72,534; 2019: £208,695; 2018: £243,061 which are past due at the reporting date but for which the Group has not provided as there has not been a significant change in credit quality and the Group believes that the amounts are still recoverable.

Ageing of past due but not impaired trade receivables

	As at 31 March 2020 £	As at 31 March 2019 £	As at 31 March 2018 £
Overdue by			
0 – 30 days	9,290	87,831	243,224
30 – 60 days	—	120,864	—
60 + days	63,243	—	(163)
	72,533	208,695	243,061

Included in trade receivables in the year ended 31 March 2020 is a provision for bad debts of £15,938. (2019: £nil, 2018: £nil). This receivable is not included in the table above.

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

Note 24 includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses.

Non-current assets of the Group relate to R&D tax relief.

18 Borrowings

	As at 31 March 2020 £	As at 31 March 2019 £	As at 31 March 2018 £
Amounts due within one year			
Bank loans	2,276,307	532,996	285,000
Amounts due in more than one year			
Bank loans	—	2,041,424	2,535,000
Total borrowings	2,276,307	2,574,420	2,820,000

Net debt is arrived at as follows:

	As at 31 March 2020 £	As at 31 March 2019 £	As at 31 March 2018 £
Total borrowings	2,276,307	2,574,420	2,820,000
Cash and cash equivalents	(3,663,878)	(1,852,091)	(784,450)
Total net debt	(1,387,571)	722,329	2,035,550

Net debt is calculated as total borrowings less cash and cash equivalents.

The Company has a secured bank loan with ThinCats Group which was drawn down in March 2018. The loan is split into two tranches. The first tranche of £1,995,000 is an amortising term loan over 5 years to March 2022 and the second is a bullet repayment in March 2022. The interest rate on both tranches is fixed at 11%. The full balance will become repayable in the event of a change in control. The HFI has been prepared for inclusion in the Company's Admission Document for admission to the AIM market of London Stock Exchange plc. The full borrowings balance has therefore been disclosed as a current liability.

The loan is subject to financial covenants:

1. On each test date the Company's EBITDA over the preceding twelve-month period shall exceed £2.3 million;
2. On each test date the ratio of adjusted cash flow available for debt servicing ("CFADS") to debt service costs over the preceding twelve-month period shall be in excess of 1.3 times; and
3. Cash cannot fall below £150,000 at any time.

In September 2018, the Company exceeded the threshold for the CFADS covenant and has received a waiver from ThinCats for that quarter's CFADS covenant test. The Company has passed all other covenants during the Review Period.

19 Trade and other payables

	As at 31 March 2020 £	As at 31 March 2019 £	As at 31 March 2018 £
Amounts due within one year			
Trade payables	999,363	700,324	697,497
Other taxes and social security	99,806	98,180	152,292
Other payables	42,587	39,111	372,135
Accruals	835,764	482,513	196,545
Deferred income	951,562	930,332	587,237
Deferred consideration	97,332	348,251	231,643
	3,026,414	2,598,711	2,237,349
Amounts due in more than one year			
Deferred income	555,346	463,921	454,478
Deferred consideration	—	—	303,083
	555,346	463,921	757,561
Total amounts due	3,581,760	3,062,632	2,994,910

Trade and other payables are consistent with trading levels across the Group but are also affected by exchange rate fluctuations.

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The Group has financial risk management policies in place to ensure all payables are paid within the agreed credit terms.

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

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

Deferred consideration has been recognised in an acquisition of intellectual property in 2013. Initial deferred consideration recognised was equal to the present value of expected future cash outflows at the date of acquisition, using a discount rate of 11% in line with the Company's cost of capital. The outflows would occur periodically in response to sales of the product that is supported by the intellectual property acquired. At each year end Management reassessed the expected future cash outflows using budgeted sales figures, adjusting the liability if required. The final payment was made in April 2020.

	Year ended 31 March 2020 £	Year ended 31 March 2019 £	Year ended 31 March 2018 £
At start of financial year	348,251	534,726	641,368
Unwinding of discount	34,825	53,473	64,137
Payment of royalties	(413,664)	(256,363)	(93,136)
Fair value loss/(gain)	127,920	16,415	(77,643)
At end of financial year	97,332	348,251	534,726

20 Leases

The Group leases land and buildings for its head office in Linlithgow, Scotland. The initial lease ran from 1 December 2014 for 5 years. A new lease was agreed to run from 1 December 2019 for a further 5 years. On renewal, the terms of the leases were renegotiated. The Group has recognised this as a right-of use asset and a lease liability for this lease. 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.

Right-of-use assets

	2020 £	2019 £	2018 £
Balance at 1 April	64,418	160,781	257,144
Additions to right-of-use-assets	719,953	—	—
Depreciation charge for the year	(124,499)	(96,363)	(96,363)
Balance at 31 March	659,872	64,418	160,781

Lease liabilities

	2020 £	2019 £	2018 £
Balance at 1 April	93,155	220,781	335,759
Acquisition of new leases	719,953	—	—
Payment of lease liabilities	(163,333)	(144,794)	(144,794)
Interest expense on lease liabilities	26,048	17,168	29,816
Balance at 31 March	675,823	93,155	220,781
Disclosed as:			
Current	122,235	93,155	127,626
Non-current	553,588	—	93,155
	675,823	93,155	220,781

Amounts recognised in profit or loss

	Year ended 31 March 2020 £	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Depreciation charge for the year	124,499	96,363	96,363
Interest on lease liabilities	26,048	17,168	29,816
Low value lease rental costs	37,895	40,292	9,900

Amounts recognised in statement of cashflows

	Year ended 31 March 2020 £	Year ended 31 March 2019 £	Year ended 31 March 2018 £
Total cash outflow for leases	(163,333)	(144,794)	(144,794)

21 Deferred tax

	As at 31 March 2020 £	As at 31 March 2019 £	As at 31 March 2018 £
Deferred tax asset			
Opening balance	506,988	411,586	394,852
Recognised in profit or loss	46,809	95,402	16,734
Closing balance	553,797	506,988	411,586

Deferred tax asset arises on recognition of unused losses.

	As at 31 March 2020 £	As at 31 March 2019 £	As at 31 March 2018 £
Deferred tax liability			
Opening liability	979,397	871,716	597,840
Recognised on acquisition	—	—	96,378
Recognised in profit or loss	208,865	107,681	177,498
Closing liability	1,188,262	979,397	871,716
Deferred tax liabilities arise as follows:			
Deferred tax on acquisition	57,826	77,102	96,378
Timing differences on development costs	1,125,418	902,295	775,338
Accelerated capital allowances	13,052	—	—
Accrued pension costs	(8,034)	—	—
Total deferred tax liability	1,188,262	979,397	871,716

22 Provisions

	As at 31 March 2020 £	As at 31 March 2019 £	As at 31 March 2018 £
Overseas tax	265,570	245,070	187,963
Onerous lease	23,450	—	—
Total current provisions	289,020	245,070	187,963
Dilapidations	15,000	15,000	15,000
Total non-current provisions	15,000	15,000	15,000
Total provisions	304,020	260,070	202,963
The movement in the total provision liability in each period is:			
At start of financial year	260,070	202,963	146,178
Recognised in profit or loss	43,950	57,107	56,785
At end of financial year	304,020	260,070	202,963

Provisions are recognised in respect of potential payments to be made in respect of overseas tax, remaining lease payments on the Berlin property and potential payments to be made in respect of dilapidations on leased assets. No discount is recorded on recognition of the provisions or unwound due to the short-term nature of the expected outflow and the low value and estimable nature of the non-current element.

23 Financial liabilities

	As at 31 March 2020 £	As at 31 March 2019 £	As at 31 March 2018 £
Derivative financial instruments	64,900	—	—
Warrants	52,239	52,239	52,239
Total financial liabilities	117,139	52,239	52,239

On 16 July 2013 the Company issued Scottish Loan Fund with warrants which entitle the holder to subscribe for 5% of the Ordinary Shares in the Company in the event of an exit (defined as a change of control, a sale or a listing). The warrants have been valued using the share price at the date of issue of £4 per share, resulting in a financial liability of £52,239 being recognised in all years in the Review Period.

24 Financial instruments

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments in the form of forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Capital management

The Board's policy is to maintain a strong capital base so as to cover all liabilities and to maintain the business and to sustain its development. The Board defines capital as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents. In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(a) ***Categories of financial instruments***

Group

	2020 £	2019 £	2018 £
Financial assets (current and non-current) at amortised cost			
Trade and other receivables	2,326,771	1,995,196	1,547,263
Cash and cash equivalents	3,663,878	1,852,091	784,450
Financial liabilities (current and non-current) at amortised cost			
Non-current borrowings	—	2,041,424	2,535,000
Current borrowings	2,276,307	532,996	285,000
Lease liabilities	675,823	93,155	220,781
Trade and other payables	3,581,760	3,062,632	2,994,910
Financial liabilities (current and non-current) at FVTPL			
Derivative financial instruments	64,900	—	—
Warrants	52,239	52,239	52,239

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. Under the fair value three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: Unobservable inputs for the asset or liability.

The derivative financial liability accounted on the foreign exchange forward contract is level 2 and was determined by valuing the amount outstanding at the year end by a quoted market price for a similar contract obtained from the Group's foreign exchange trader. The directors believe this is a reasonable basis for determining the fair value at the year end.

The Company has granted a financial instrument to a lender allowing them to subscribe for 5% of the Company's share capital at the nominal value of £0.10 per share. The fair value of the instrument is determined by the fair value of the Company's Ordinary Shares at the date the instrument was issued. The warrants are therefore a level 2 instrument under the fair value hierarchy.

Financial risk management objectives

The Group's senior management team manage the financial risks relating to the operations of each department. These risks include market risk, credit risk and liquidity risk.

Where appropriate, the Group seeks to minimise the effects of market risks by using financial instruments to mitigate these risk exposures as appropriate. The Group does not enter into or trade in financial instruments for speculative purposes.

(b) *Market risks*

Foreign currency risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the year ends are as follows:

	Sterling £	Euro £	US Dollar £	Total £
As at 31 March 2020				
Trade receivables (note 17)	297,971	230,520	1,433,087	1,961,578
Borrowings (note 18)	(2,276,307)	—	—	(2,276,307)
Lease liabilities (note 20)	(675,823)	—	—	(675,823)
Trade payables (note 19)	(848,060)	(3,942)	(147,361)	(999,363)
Cash and cash equivalents	1,946,069	603,718	1,114,091	3,663,878
	(1,556,150)	830,296	2,399,817	1,673,963

Based on this exposure, had Pound Sterling weakened by 5%, the Group's profit before tax would have been £161,000 lower. The percentage change is based on management's assessment of reasonable possible fluctuations.

	Sterling £	Euro £	US Dollar £	Total £
As at 31 March 2019				
Trade receivables (note 17)	42,987	80,543	1,520,681	1,644,211
Borrowings (note 18)	(2,574,420)	—	—	(2,574,420)
Lease liabilities (note 20)	(93,155)	—	—	(93,155)
Trade payables (note 19)	(660,030)	—	(40,294)	(700,324)
Cash and cash equivalents	1,091,541	61,170	699,380	1,852,091
	(2,193,077)	141,713	2,179,767	128,403

Based on this exposure, had Pound Sterling weakened by 5%, the Group's profit before tax would have been £116,000 lower. The percentage change is based on management's assessment of reasonable possible fluctuations.

	Sterling £	Euro £	US Dollar £	Total £
As at 31 March 2018				
Trade receivables (note 17)	100,485	114,999	810,496	1,025,980
Borrowings (note 18)	(2,820,000)	—	—	(2,820,000)
Lease liabilities (note 20)	(220,781)	—	—	(220,781)
Trade payables (note 19)	(635,454)	—	(62,043)	(697,497)
Cash and cash equivalents	743,236	4,873	36,341	784,450
	(2,832,514)	119,872	784,794	(1,927,848)

Based on this exposure, had Pound Sterling weakened by 5%, the Group's profit before tax would have been £45,000 lower. The percentage change is based on management's assessment of reasonable possible fluctuations.

Interest rate risk

The Group is not exposed to any significant interest rate risk as borrowings are obtained at fixed rates.

Other market price risk

The Group is not exposed to any other significant market price risks.

(c) *Credit risk management*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

The Group's principal financial assets, other than business assets, are trade and other receivables and cash and cash equivalents. These represent the Group's maximum exposure to credit risk in relation to financial assets.

	31 March 2020 £	31 March 2019 £	31 March 2018 £
Trade receivables (note 17)	1,961,578	1,644,211	1,025,980
Cash and cash equivalents	3,663,878	1,852,091	784,450
	5,625,456	3,496,302	1,810,430

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The balance presented in the balance sheet is net of allowances for doubtful receivables and returns, estimated by the Group's management based on prior experience and their assessment in the current economic climate. No adjustment has been estimated for the allowance for credit loss.

The Group's main concentration of credit risk relates to where a credit risk management approach is employed, including strict retention of title, customer stock holding visibility and the use of credit insurance.

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

On the above basis the expected credit loss for trade receivables as at 31 March 2020, 31 March 2019 and 31 March 2018 was determined as follows:

Days past due	0	1-30	31-60	>60	Total
2020					
Balance outstanding	1,873,106	9,290	—	79,182	1,961,578
Historic loss rate	0%	0%	0%	0%	
Estimated credit loss provision	0.25%	1%	1.5%	2%	
Potential credit loss allowance	4,683	93	—	1,584	6,360
2019					
Balance outstanding	1,435,516	87,831	120,864	—	1,644,211
Historic loss rate	0%	0%	0%	0%	
Estimated credit loss provision	0.25%	1%	1.5%	2%	
Potential credit loss allowance	3,588	878	1,813	—	6,279
2018					
Balance outstanding	782,919	243,224	—	(163)	1,025,980
Historic loss rate	0%	0%	0%	0%	
Estimated credit loss provision	0.25%	1%	1.5%	2%	
Potential credit loss allowance	1,957	2,432	—	(4)	4,385

Cash

Cash is held with banks in the UK/EU with high credit ratings and no financial loss due to the banks failure to meet their contractual obligations is expected.

(d) *Liquidity risk management*

The Group manages liquidity risk through the monitoring of forecast cash flows and through the use of bank loans when required thereby maintaining sufficient liquid assets to fund its contractual obligations and maintain the ongoing development of the Group.

The table below provides an analysis of the Group's financial liabilities to be settled on a gross basis by relevant maturity categories from the balance sheet date to the contractual settlement date. The table includes both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	1 year or less	1 to 2 years	2 to 5 years	Over 5 years	Total remaining liabilities
31 March 2020					
Trade payables	999,363	—	—	—	999,363
Other payables	2,753,374	103,394	83,631	15,000	2,955,399
Borrowings	910,766	1,735,777	—	—	2,646,543
Lease liabilities	167,326	167,326	446,204		780,856
Deferred consideration	102,000	—	—	—	102,000

	1 year or less	1 to 2 years	2 to 5 years	Over 5 years	Total remaining liabilities
31 March 2019					
Trade payables	700,324	—	—	—	700,324
Other payables	2,288,545	167,805	187,025	—	2,643,375
Borrowings	814,958	910,766	1,002,997	—	2,728,721
Lease liabilities	96,529	—	—	—	96,529
Deferred consideration	387,744	—	—	—	387,744

	1 year or less	1 to 2 years	2 to 5 years	Over 5 years	Total remaining liabilities
31 March 2018					
Trade payables	697,497	—	—	—	697,497
Other payables	1,877,634	226,602	354,830	—	2,459,066
Borrowings	587,082	851,962	785,935	1,549,301	3,774,280
Lease liabilities	144,794	96,529	—	—	241,323
Deferred consideration	254,808	371,397	—	—	626,205

25 Retirement benefits

Defined contribution plans

Contributions by Group companies are charged to the income statement as an expense as they fall due. The amount recognised as an expense in relation to defined contribution plans was 2020: £149,861; 2019: £154,777; 2018: £128,294.

26 Share options

	2020		2019		2018	
	No of share options	**Weighted average exercise price (£)**	**No of share options**	**Weighted average exercise price (£)**	**No of share options**	**Weighted average exercise price (£)**
At start of financial year	37,150	£2.72	36,650	£2.67	35,000	£2.61
Exercised	—	—	—	—	—	—
Granted	3,100	£2.72	7,080	£2.75	8,150	£2.75
Forfeited	—	—	—	—	—	—
Lapsed	—	—	(6,580)	(£2.46)	(6,500)	(£2.46)
At end of financial year	40,250	£2.75	37,150	£2.72	36,650	£2.67

The options vest in the event of a change in control such as a trade sale or initial public offering. No options were exercisable at the year ended 31 March 2020 (2019: none, 2018: none).

The weighted average remaining contractual life of options outstanding at 31 March 2020 was 3 years (2019: 4 years, 2018: 5 years).

For the options granted during the Review Period, the valuation model inputs used to determine the fair value at the grant date, are as follows:

	2020		2019	2018
Number of options granted	2,100	1,000	7,080	8,150
Grant date	17/02/2020	01/01/2020	15/01/2019	20/02/2018
Expiry date	16/02/2030	31/12/2030	14/12/2029	19/02/2028
Share price at grant date	£12.32	£12.32	£10.62	£8.04
Exercise price	£2.75	£2.75	£2.75	£2.75
Expected volatility	244%	244%	570%	408%
Dividend yield	0%	0%	0%	0%
Risk-free interest rate	0.33%	0.33%	0.89%	1.13%
Fair value at grant date	£25,872	£12,320	£75,184	£65,513

Expected volatility is based on the historical volatility of a basket of quoted peers at the date of option grant.

Included in the options total above are 15,500 options held by directors. All options held by directors have a weighted average exercise price of £2.75. Within the cost of the options recognised in the income statement, £21,531 is attributable to the directors in 2020 (2019: nil; 2018 nil).

In addition to the options detailed above, a separate pool of Unapproved Share Options were granted to the Company Chairman on 28 June 2018:

	2019
Number of options granted	5,882
Grant date	28 June 2018
Expiry date	27 June 2028
Share price at grant date	£10.62
Exercise price	£37.00
Expected volatility	570%
Dividend yield	0%
Risk-free interest rate	0.89%
Fair value at grant date	£62,466

Expected volatility is based on the historical volatility of a basket of quoted peers at the date of option grant.

27 Business combinations

In 2017, Calnex formed an OEM reseller agreement with JAR Technologies in Belfast. JAR Technologies had developed their SNE product which complemented the Company's established existing product offering. On 26 March 2018, Calnex acquired 100% of the ordinary shares of JAR Technologies, securing the SNE product intellectual property as well as the development team. The name of the subsidiary was subsequently changed to Calnex Solutions (Belfast) Limited. Included in the fair value of assets and liabilities are intangible assets not recognised by the previous owners. The fair value of intangible assets has been estimated by the directors. The fair value uplift in the intangible assets (£507,250) resulted in the recognition of a deferred tax liability (£96,378). There were no other differences between the fair value and book value of assets acquired.

As the acquired business was purchased on 26 March 2018, no revenues or profit/losses were recognised by the Group for the period from acquisition to 31 March 2018. If the acquisition occurred on 1 April 2017 the full year contributions would have been revenues of £305,000 and loss after tax of £351,000.

Details of the acquisition are as follows:

	Fair value £
Intangible assets	507,250
Tangible fixed assets	8,472
Inventory	4,649
Trade and other debtors	110,942
Cash and cash equivalents	5,269
Trade and other payables	(296,332)
Deferred tax liability	(96,378)
Net assets acquired	243,872
Acquisition-date fair value of total consideration transferred	96,401
Bargain purchase credit to profit and loss	(147,471)
Composition of consideration transferred:	
Shares in the Company	96,401

The Company perceived greater value in the intellectual property of the target than the vendors as the Company valued the asset within the context of the Group and its established distribution network. The additional value attributed to the intellectual property by the Company gave rise to the bargain purchase gain. The bargain purchase gain has been recognised immediately at the date of acquisition in administrative expenses in the profit and loss. Costs were incurred in the acquisition of £52,602. These were charged directly to the profit and loss and are recognised in administrative expenses.

On 6 May 2019 the Group purchased the trade and assets of Luceo Technologies. Consideration transferred was £45,000 in cash, being equal to the fair value of assets and liabilities, resulting in no goodwill recognition upon acquisition. If the acquisition occurred on 1 April 2019 the full year contribution would have been revenues of £124,729 and loss after tax of £500,493 (refer discontinued operations breakdown at note 9). Costs were incurred in the acquisition of £7,010. These were charged directly to the profit and loss and are recognised in administrative expenses.

28 Group companies

The Group's interest in its main group undertakings are as follows:

Subsidiary undertakings	Country of registration or incorporation	Principal activity	Percentage of shares held 2020	2019	2018
Calnex Solutions (Belfast) Limited (application for strike off submitted)	Northern Ireland	IT Network Testing, specialising in wide-area network emulation & load testing	100%	100%	100%
Calnex Americas Corporation	USA	Sales & Marketing support services to Calnex Solutions plc	100%	100%	—
Calnex Solutions (Berlin) Limited (application for strike off submitted)	UK	Holding company	100%	—	—
Calnex Solutions (Berlin) GmBH (in liquidation)	Germany	Solutions Provider to the Component & Module Test Market	100%	—	—

29 Called up Share capital

Issued, called up and fully paid

	As at 31 March 2020 £	As at 31 March 2019 £	As at 31 March 2018 £
Ordinary shares of £0.10 each	24,814	24,814	24,814

	As at 31 March 2020 No.	As at 31 March 2019 No.	As at 31 March 2018 No.
Ordinary shares of £0.10 each			
On issue at start of financial year	248,135	248,135	237,424
Shares issued	—	—	10,711
On issue at end of financial year	248,135	248,135	248,135

30 Related party transactions

The Company undertook transactions on an arm's length basis with various subsidiaries and associates. All of these transactions and balances have been eliminated on consolidation and as such advantage has been taken of the disclosure exemptions permitted by IAS 24. There have been no transactions with key management personnel save for the payment of remuneration due to them under their contracts with the Company.

31 Post balance sheet events

On 4 September 2020, the Company: (i) capitalised the sum of £49,627 standing to the credit of its retained earnings in paying up 496,270 ordinary shares of £0.10 each (the "Bonus Shares"); and (ii) issued the Bonus Shares among shareholders such that each Shareholder received 2 Bonus Shares for every one Ordinary Share they held. The resultant issued share capital of the Company was £74,440.50, comprising 744,405 ordinary shares of £0.10 each.

On 14 September 2020, the Company re-registered as a public limited company.

On 17 September 2020, each of the issued ordinary shares of £0.10 each were subdivided into 59,552,400 ordinary shares of £0.00125.

On 18 September 2020, the Company: (i) capitalised the sum of £589.63 standing to the credit of its retained earnings in paying up 471,703 ordinary shares of £0.00125 each (the "Additional Bonus Shares"); and issued the Additional Bonus Shares among Shareholders such that each Shareholder received approximately 0.0079 Additional Bonus Shares for every one Ordinary Share held. The resultant issued share capital of the Company was £75,030.13, comprising 60,024,103 ordinary shares of £0.00125 each.

Immediately prior to Admission, the Company will issue 11,225,897 ordinary shares of £0.00125 each to certain employees and officers of the Group, bringing the Company's total issued share capital to £89,062.50, comprising 71,250,000 ordinary shares of £0.0125 each.

Immediately prior to Admission, but following the issue of ordinary shares to certain employees and officers of the Group as referred to above, the Company will issue 3,750,000 ordinary shares of £0.00125 each to the Scottish Loan Fund L.P., bringing the Company's total issued share capital to £112,500, comprising 75,000,000 ordinary shares of £0.00125 each.

On 18 September 2020, the Company adopted the EMI Plan, the Unapproved Plan and the SIP Plan, details of which are set out in paragraph 5 of Part IV of this document.

The Company is currently negotiating a new loan facility with Barclays Bank PLC for a total revolving credit facility amounting to £3 million, details of the terms of which are set out in paragraph 12.6.2 of Part IV of this document.

PART IV

ADDITIONAL INFORMATION

1 Responsibility

The Company (whose registered office appears on page 4 of this document) and the Directors, whose names appear on page 4 of this document, accept responsibility, both individually and collectively, for the information contained in this Admission Document, including individual and collective responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Admission Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 Incorporation and General

2.1 The Company was incorporated in Scotland on 27 March 2006, under the name of Calnex Solutions Limited (registered number SC299625), as a private limited company under the Companies Act 1985.

2.2 The Company was re-registered as a public limited company under the Companies Act 2006 on 14 September 2020 and its name was changed to Calnex Solutions plc.

2.3 The liability of the Shareholders is limited. The principal legislation under which the Company was formed was the Companies Act 1985 and under which it now operates is the Act.

2.4 The Company's registered office and its principal place of business is at Oracle Campus, Linlithgow, West Lothian, EH49 7LR (telephone number 01506 671416 or, if dialling from outside the United Kingdom +44 (0)1506 671416).

2.5 The Company's website address is www.calnexsol.com.

2.6 The ISIN for the Ordinary Shares is GB00BMBK7016.

2.7 The Company's auditors are RSM Audit UK LLP, a firm of chartered accountants registered with the institute of chartered accountants in Scotland.

2.8 The Company is the holding company of the following subsidiaries:

Name	Registered Office	Country of Incorporation	Principal Activity	Issued share capital	Ownership
Calnex Solutions (Belfast) Limited[(1)]	5th Floor – The Warehouse, 7 James Street South, Belfast, Northern Ireland, BT2 8DN	Northern Ireland	Dormant	917,636 ordinary shares of £0.00001 each	100 per cent.
Calnex Solutions (Berlin) Limited[(2)]	Oracle Campus, Calnex Solutions Limited, Linlithgow, West Lothian, EH49 7LR	Scotland	Dormant	100 ordinary shares of £1.00 each	100 per cent.
Calnex Berlin GmbH[(3)]	Am Borsigturm 13, 13507 Berlin	Germany	Dormant	Euro 25,000	100 per cent.
Calnex Americas Corporation	7736 Main Street, Fogelsville, PA 18051	United States of America	Trading company	N/A	100 per cent.

Notes:

(1) An application to strike-off Calnex Solutions (Belfast) Limited was submitted to the UK Registrar of Companies on 18 March 2020.

(2) An application to strike-off Calnex Solutions (Berlin) Limited was submitted to the UK Registrar of Companies on 18 March 2020.

(3) Calnex Berlin GmbH is currently in liquidation. The scheduled date for the dissolution of the company is 31 December 2020.

2.9 The net asset value of an Ordinary Share as at 31 March 2020, prior to the issue of the Placing Shares, is approximately 9 pence (the "**Net Asset Value Per Share**").

2.10 The Placing Price of 48.0 pence per Ordinary Share represents a premium of 39.0 pence over the Net Asset Value Per Share and a premium of £0.47875 over the nominal value per Ordinary Share of £0.00125 each.

2.11 As at the date of this Admission Document, the Company has granted options over 11,225,897 Ordinary Shares. All option holders have undertaken to exercise their respective options in full immediately prior to the Placing and Admission, such that no options will remain outstanding as at Admission.

2.12 On 16 July 2013, the Company issued warrants to the Scottish Loan Fund L.P. entitling the Scottish Loan Fund L.P. to subscribe for Ordinary Shares representing, in aggregate, 5 per cent. of the fully diluted share capital of the Company from time to time. The subscription price of each warrant is equal to the nominal value of the Ordinary Shares. Scottish Loan Fund L.P. has undertaken to exercise its warrants immediately prior to the Placing and Admission, such that no warrants will remain outstanding as at Admission.

3 Share Capital

3.1 The share capital history of the Company from the date of the Company's incorporation to the date of this document is as follows:

3.1.1 On incorporation, the issued share capital of the Company was £1.00, which comprised of 1 ordinary share of £1.00 nominal value, legal title to which was owned by Thomas Cook.

3.1.2 On 2 May 2007, an additional 10,869 ordinary shares of £1.00 were allotted at a price of £1.00 per share, bringing the Company's total issued share capital to £10,870, comprising 10,870 ordinary shares of £1.00 each. Of this amount, 9,999 ordinary shares of £1.00 each were allotted to Thomas Cook and 870 ordinary shares of £1.00 each were allotted to John McElroy.

3.1.3 On 11 May 2007, the 10,870 ordinary shares of £1.00 each in issue were subdivided into 108,700 ordinary shares of £0.10 each.

3.1.4 On 11 May 2007, an additional 28,429 ordinary shares of £0.10 each were allotted at a price of £0.10 per share, bringing the Company's total issued share capital to £13,712.90, comprising 137,129 ordinary shares of £0.10 each.

3.1.5 On 25 September 2007, an additional 27,432 ordinary shares of £0.10 each were allotted at a price of £9.84 per share, bringing the Company's total issued share capital to £16,456.10, comprising 164,561 ordinary shares of £0.10 each.

3.1.6 On 19 December 2007, an additional 57,928 ordinary shares of £0.10 each were allotted at a price of £9.84 per share, bringing the Company's total issued share capital to £22,248.90, comprising 222,489 ordinary shares of £0.10 each.

3.1.7 On 3 June 2009, an additional 14,935 ordinary shares of £0.10 each were allotted at a price of £9.84 per share, bringing the Company's total issued share capital to £23,742.40, comprising 237,424 ordinary shares of £0.10 each.

3.1.8 On 26 March 2018, an additional 10,352 ordinary shares of £0.10 each were allotted at a price of £90.80 per share, bringing the Company's total issued share capital to £24,777.60, comprising 247,776 ordinary shares of £0.10 each.

3.1.9 On 29 October 2018, an additional 359 ordinary shares of £0.10 each were allotted at a price of £90.80 per share, bringing the Company's total issued share capital to £24,813.50, comprising 248,135 ordinary shares of £0.10 each.

3.1.10 On 4 September 2020, the Company: (i) capitalised the sum of £49,627 standing to the credit of its retained earnings in paying up 496,270 ordinary shares of £0.10 each (the "**Bonus Shares**"); and (ii) issued the Bonus Shares among shareholders such that each Shareholder received 2 Bonus Shares for every one Ordinary Share they held. The resultant issued share capital of the Company was £74,440.50, comprising 744,405 ordinary shares of £0.10 each.

3.1.11 On 17 September 2020, each of the issued ordinary shares of £0.10 each were subdivided into 59,552,400 ordinary shares of £0.00125 each.

3.1.12 On 18 September 2020, the Company: (i) capitalised the sum of £589.63 standing to the credit of its retained earnings in paying up 471,703 ordinary shares of £0.00125 each (the "Additional Bonus Shares"); and issued the Additional Bonus Shares among Shareholders such that each Shareholder received approximately 0.0079 Additional Bonus Shares for every one Ordinary Share held. The resultant issued share capital of the Company was £75,030.13, comprising 60,024,103 ordinary shares of £0.00125 each.

3.1.13 Immediately prior to the Placing and Admission, the Company will issue 11,225,897 ordinary shares of £0.10 each to certain employees and officers of the Group pursuant to the exercise of options, bringing the Company's total issued share capital to £89,062.50, comprising 71,250,000 ordinary shares of £0.00125 each.

3.1.14 Immediately prior to the Placing and Admission, but following the issue of Ordinary Shares to employees and officers of the Group as referred to in paragraph 3.1.13 above, the Company will issue 3,750,000 ordinary shares of £0.10 each to the Scottish Loan Fund L.P., bringing the Company's total issued share capital to £93,750, comprising 75,000,000 ordinary shares of £0.00125 each.

3.2 The Company's issued fully paid share capital as at the date of this Admission Document, and as it is expected to be immediately following Admission, is as follows:

	As at the date of this Admission Document		**Immediately Prior to Placing and Admission**		**Immediately following Placing and Admission**	
	Number	**Nominal**	**Number**	**Nominal**	**Number**	**Nominal**
Fully paid Ordinary Shares in issue	59,552,400	£74,440.50	75,000,000	£93,750	87,500,000	109,375

3.3 On 17 September 2020, the Shareholders passed, *inter alia*, resolutions on the following terms:

3.3.1 that the Directors be generally and unconditionally authorised for the purposes of Section 551 of the Act to allot shares and grant rights to subscribe for, or convert any securities into, shares in the Company ("**Rights**") up to an aggregate nominal value of £22,484.17, in respect of:

(a) the allotment of equity securities having a nominal value of up to £15,625 in connection with, *inter alia*, the Placing;

(b) the allotment of equity securities having a nominal value of up to £2,171.67 in connection with the exercise of options under any share option scheme of the Company; and

(c) the allotment of equity securities having a nominal value of up to £4,687.50 in connection with the exercise of warrants under the warrant instrument between the Company and Scottish Loan Fund LP dated 16 July 2013,

provided that the authority shall, unless previously renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the next annual general meeting of the Company following the passing of the resolution save that the Company may make an offer or agreement before the expiry of the authority which would or might require shares to be allotted or Rights or be granted after expiry of the authority and the directors may allot shares and grant Rights in pursuant of that offer or agreement as if the authority had not expired.

3.3.2 that the Directors be generally and unconditionally authorised to allot Ordinary Shares up to a maximum nominal amount of £36,459 (representing 29,166,667 Ordinary Shares) which is approximately equal to one third of the Enlarged Issued Share Capital;

3.3.3 that the Directors be generally and unconditionally authorised for the purposes of section 551 of the Act to allot shares and grant rights to subscribe for, or convert any securities into, shares in the Company ("**Subscription Rights**") up to an aggregate nominal value of £10,937.50 (being equal to 10 per cent. of the Enlarged Issued Share Capital in connection with the grant of options under the Option Plans provided that the authority shall, unless previously renewed, varied or revoked by the Company in general meeting, expire after the period of five years following the passing of the resolution save that the Company may make an offer or agreement before the expiry of the authority which would or might require shares to be allotted or Subscription Rights or be granted after expiry of the authority and the directors may allot shares and grant Subscription Rights in pursuance of that offer or agreement as if the authority had not expired.

3.3.4 that subject to the passing of the resolutions described at paragraphs 3.3.1 and 3.3.2 above, the Directors be given power pursuant to section 570(1) of the Act to allot equity securities (as defined in section 560 of the Act) of the Company for cash pursuant to the authority granted as described in paragraphs 3.3.1 and 3.3.2 above as if section 561 of the Act did not apply to any such allotment. This power expires at the conclusion of the next annual general meeting of the Company following the passing of the resolution but the Company make an offer or agreement before such expiry which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of that offer or agreement notwithstanding that the power conferred by the resolution has expired and is limited to:

(a) the allotment of equity securities for cash up to a total nominal value of £15,625 pursuant to the Placing;

(b) the allotment of equity securities having a nominal value of £2,171.67 in connection with the grant or exercise of options under any share option scheme of the Company;

(c) the allotment of equity securities having a nominal value of up to £4,687.50 in connection with the exercise of warrants under the warrant instrument between the Company and Scottish Loan Fund LP dated 16 July 2013;

(d) the allotment of equity securities in connection with an issue in favour of holders of ordinary shares in the capital of the Company in proportion (as nearly as may be practicable) to their existing holdings;

(e) the allotment of equity securities having a nominal value of up to £5,468.75 (being equal to 5 per cent. of the Enlarged Issued Share Capital) for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board of the Company determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this document; and

(f) the allotment of equity securities having a nominal value of up to £5,468.75 (being equal to 5 per cent. of the issued share capital of the Company as it is expected to be following Admission).

3.3.5 that subject to the passing of the resolution 3.3.3, the Directors be given power pursuant to section 570(1) of the Act to allot equity securities (as defined in section 560 of the Act) of the Company for cash pursuant to the authority granted in respect of the Option Plans as described in paragraph 3.3.3 as if section 561 of the Companies Act 2006 did not apply to any such allotment.

3.4 Save as disclosed in this Part IV:

3.4.1 no share or loan capital in the Company or the Group is under option or is the subject of an agreement, conditional or unconditional, to be put under option;

3.4.2 no share or loan capital of the Company or the Group has been issued, or is now proposed to be issued, fully or partly paid, either for cash or other consideration to any person;

3.4.3 no person has any preferential subscription rights for any share capital of the Company;

3.4.4 no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital in the Company;

3.4.5 the Company does not hold any of its own Ordinary Shares and none of the Company's subsidiaries hold any of the Ordinary Shares;

3.4.6 the Company has no convertible debt securities, exchangeable debt securities or debt securities with warrants in issue; and

3.4.7 no person has any acquisition rights or obligations over unissued share capital of the Company and there is no undertaking to increase the share capital of the Company.

3.5 The Ordinary Shares have been created under the Companies Acts.

3.6 The Ordinary Shares in issue on Admission will be in registered form and, following Admission, will be capable of being held in uncertificated form. In the case of Ordinary Shares held in uncertificated form, the Articles permit the holding and transfer of Ordinary Shares through CREST. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by written instrument. The Directors have applied for the Ordinary Shares to be admitted to CREST. The records in respect of Ordinary Shares held in uncertificated form will be maintained by the Company's registrar, Computershare Investor Services plc (details of whom are set out on page 107 of this document).

3.7 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived. Furthermore, no dividend has been declared or paid by the Company in the financial years ending 31 March 2018, 31 March 2019, 31 March 2020 and the current financial year.

3.8 As at Admission, the Company will not have in issue any securities not representing share capital. However, following Admission, the Company proposes to grant Options over up to 8,750,000 Ordinary Shares pursuant to the EMI Plan and the Unapproved Plan.

3.9 There are no issued but not fully paid Ordinary Shares.

3.10 None of the Ordinary Shares have been marketed or are being made available to the public in whole or in part in conjunction with the application for Admission.

3.11 The Existing Ordinary Shares have not been admitted to dealing on any recognised investment exchange or other trading facility, nor has any application for such admission been made and it is not intended to make any arrangements for dealings in the Ordinary Shares on any such exchange other then the application to be made in connection with Admission.

3.12 The Company has the contractual capacity of a natural person and is empowered to borrow, guarantee and give security.

4 Articles of Association

The Articles provide, amongst other things:

4.1 *Voting rights*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at a general meeting of the Company every member who is present in person (including any corporation present by its duly authorised representative) shall on a show of hands have one vote and every member present in person or by proxy shall on a poll have one vote for each share of which he is a holder. The Directors may accept the appointment of a proxy contained in an electronic communication subject to such terms and conditions as the Directors may determine. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.

4.2 *Restrictions on voting*

Unless the Board determines otherwise, no member is entitled to vote at a general meeting, either in person or by proxy, or to exercise any privilege as a member, or be reckoned in a quorum, in respect of any share held by him unless all calls presently payable by him in respect of that share, whether alone or jointly with any other person, together with interest and expenses (if any) have been paid to the Company.

4.3 *Dividends*

4.3.1 Subject to the provisions of the Act and of the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board and no dividend shall be payable except out of the profits of the Company available for distribution.

4.3.2 Subject to the provisions of the Act, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appear to the Directors to be justified by the profits of the Company available for distribution.

4.3.3 Except as otherwise provided by the rights attached to shares, all dividends:

(a) shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid;

(b) shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions on the period in respect of which the dividend is paid, but if any share is issued on terms that it shall rank for dividend as from a particular date, it shall rank for dividend accordingly; and

(c) may be declared in any currency.

4.3.4 All dividends unclaimed for a period of 12 years after having been declared or become due for payment shall (if the Directors so resolve) be forfeited and shall cease to remain owing by the Company.

4.3.5 The Board may, with the authority of an ordinary resolution of the Company, or in the case of an interim dividend may without the authority of an ordinary resolution, direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or debentures of any other company, or in any one or more of such ways.

4.3.6 The Board may deduct from any dividend or other monies payable to any person on or in respect of a share, all such sums as may be due to the Company on account of calls or otherwise in relation to the shares of the Company from him.

4.4 *Distribution of assets on a winding up*

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company.

4.5 *Transfers of shares*

4.5.1 Every member may transfer all or any of his shares which are in certificated form by instrument of transfer in writing in any usual form or in any form which is permitted by the Companies Acts and is from time to time approved by the Board. The transferor is deemed to remain the holder of the shares concerned until the name of the transferee is entered in the register of members. Every member may transfer all or any of his or her shares which are in uncertificated form by means of a relevant system in such manner provided for, and subject as provided in, the uncertificated securities rules or in any other manner which is permitted by the Companies Acts and is from time to time approved by the Board.

4.5.2 Unless the Directors otherwise determine, a transfer of shares will not be registered if the transferor or any other person appearing to be interested in the transferor's shares has been duly served with a notice under section 793 of the Act, has failed to supply the information required by such notice within 14 days and the shares in respect of which such notice has been served represent at least 0.25 per cent. of their class, unless the member is not himself in default as regards supplying the information required and proves to the satisfaction of the Directors that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer, or unless such transfer is by way of acceptance of a takeover offer, in consequence of a sale on a recognised stock exchange or a sale to an unconnected party.

4.6 *Variations of rights*

4.6.1 If at any time the share capital of the Company is divided into shares of different classes, any of the rights for the time being attached to any share or class of shares in the Company may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, with the consent of the holders of not less than three-quarters in nominal value of the issued shares of the class sanctioning the resolution at a general meeting of the holders of shares of the class. The quorum at any such meeting shall be not less than two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the class in question and at an adjourned meeting not less than one person holding shares of the class in question or his proxy.

4.6.2 Subject to the terms of issue of or rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* in all respects.

4.7 *Changes in capital*

Subject to the provisions of the Act, the Company in general meeting may from time to time by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled and sub-divide all or any of its shares into shares of a smaller amount. The Company may also, subject to the provisions of the Act and to any rights for the time being attached to any shares, purchase its own shares and, by special resolution, reduce its share capital or any capital redemption reserve fund or any share premium account in any way.

4.8 *Issues of shares*

4.8.1 Subject to the Act and to any relevant authority of the Company in general meeting required by the Act, the Board may offer, allot (with or without conferring rights of renunciation), grant options over or otherwise deal with or dispose of shares or grant rights to subscribe for or convert any security into shares to such persons, at such times and upon such terms as the Board may decide. No share may be issued at less than nominal value.

4.8.2 Subject to the Act, the Company may at any time pass an ordinary resolution permitting the Directors to generally and unconditionally allot ordinary shares for a period of up to five years from the passing of the ordinary resolution.

4.8.3 Unless disapplied by shareholders in a general meeting, all new share issues will be subject to statutory rights of pre-emption and must first be offered *pro rata* to all existing shareholders.

4.9 ***Remuneration of Directors***

4.9.1 The salary or remuneration of any Director appointed to hold any employment or executive office in accordance with the Articles may be either a fixed sum of money, or may altogether or in part be governed by business done or profits made or otherwise determined by the Board, and may be in addition to or in lieu of any fee payable to him for his service as Director in accordance with the Articles, subject to a maximum aggregate of fees payable of £500,000 per year.

4.9.2 If by arrangement with the Board any Director shall perform or render any special duties or services outside his ordinary duties as a Director and not in his capacity as a holder of employment or executive office, he may be paid such reasonable additional remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine.

4.10 ***Pensions and gratuities for Directors***

The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or availability benefits or other allowances or gratuities (whether by insurance or otherwise) for any person who is or has at any time been a Director of the Company or any company which is a holding company or a subsidiary undertaking of or allied to or allocated with the Company or any such holding company or subsidiary undertaking or any predecessor in business of the Company or of any such holding company or subsidiary undertaking, and for any member of his family (including a spouse or former spouse) and any person who is or was dependent on him.

4.11 ***Directors' interests in contracts***

Subject to the Act and provided he or she has declared the nature and extent of his or her interest in accordance with the requirements of the Act, a Director who is in any way, whether directly or indirectly, interested in an existing or proposed transaction or arrangement with the Company may:

4.11.1 be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise (directly or indirectly) interested;

4.11.2 act by himself or herself or through his or her firm in a professional capacity for the Company (otherwise than as auditor) and he or her, or his or her firm shall be entitled to remuneration for professional services as if he or she were not a Director;

4.11.3 be or become a director or other officer of, or employed by, or a party to a transaction or arrangement with, or otherwise interested in, any body corporate in which the Company is otherwise (directly or indirectly) interested; or

4.11.4 hold any office or place of profit with the Company (except as auditor) in conjunction with his office of Director for such period and upon such terms, including as to remuneration as the Board may decide.

4.12 ***Restrictions on Directors' voting***

4.12.1 Save as provided in the Articles, a Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Directors or of a committee of the Directors concerning any contract, arrangement, transaction or any other proposal whatsoever to which the Company is or is to be a party and in which he has an interest which is to his knowledge a material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company, unless the resolution concerns any of the following matters:

(a) any security, guarantee or indemnity for any money or any liability which the Director, or any other person, has lent or obligations the Director or any other person has undertaken at the request, or for the benefit, of the Company or any of its subsidiary undertakings;

(b) any security, guarantee or indemnity to any person for a debt or obligation which is owed by the Company or any of its subsidiary undertakings, to that other person if the Director has taken responsibility for some or all of that debt or obligation;

(c) a proposal or contract relating to an offer of any shares or debentures or other securities for subscription or purchase by the Company or any of its subsidiary undertakings, if the Director takes part because he is a holder of shares, debentures or other securities, or if the takes part in the underwriting or sub-underwriting of the offer;

(d) any arrangement for the benefit of employees of the Company or any of its subsidiary undertakings which only gives him benefits which are also generally given to employees to whom the arrangement relates;

(e) any arrangement involving any other company in which the Director (together with any person connected with the Director) has any interest of any kind in that Company (including an interest by holding any position in that company or by being a shareholder of that company);

(f) a contract relating to insurance which the Company can buy or renew for the benefit of the Directors or a group of people which includes Directors; or

(g) a contract relating to a pension, superannuation or similar scheme or a retirement, death, disability benefits scheme or employee share scheme which gives the Director benefits which are also generally given to the employees to whom the scheme relates.

4.12.2 The Board may authorise, to the fullest extent permitted by law any matter which would otherwise result in a Director infringing his duty to avoid a situation in which he has, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company, provided that the Director in question, and any other interested Director, are not counted in the quorum at any board meeting at which such matter is authorised.

4.13 *Number of Directors*

Unless otherwise determined by the Company by ordinary resolution, the number of Directors shall not be less than two but shall not be subject to any maximum number.

4.14 *Directors' appointment and retirement*

4.14.1 Directors may be appointed by the Company by ordinary resolution or by the Board. If appointed by the Board, a Director holds office only until the next annual general meeting and shall retire from office but shall be eligible for re-appointment.

4.14.2 Each Director shall retire from office at each annual general meeting after the annual general meeting or general meeting (as the case may be) at which he was previously appointed. A director shall not be required to hold any shares in the Company.

4.14.3 If: (i) at the annual general meeting in any year any resolution or resolutions for the appointment or re-appointment of the persons eligible for appointment or re-appointment as Directors are put to the meeting and lost; and (ii) at the end of that meeting the number of Directors is fewer than any minimum number of Directors required, all retiring Directors who stood for re-appointment at that meeting shall be deemed to have been re-appointed as Directors and shall remain in office, but may only act for the purpose of convening general meetings of the Company and perform such duties as are essential to maintain the Company as a going concern, and not for any other purpose.

4.14.4 In addition to any power of removal conferred by the Act, the office of Director shall be vacated if he is requested to resign by all of the other Directors by notice in writing.

4.15 ***Borrowing powers***

4.15.1 The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and assets (present and future) and uncalled capital and, to create and issue debenture and other securities and give security either outright or as collateral security for any debt, liability or obligation of the Company or any third party. The Board shall restrict the borrowings of the Company, and exercise all voting or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so as to secure (but as regards the subsidiary undertakings only so far as by such exercise it can secure) that the aggregate of the amounts borrowed by the Group and remaining outstanding at any time (excluding intra-Group borrowings) shall not without the previous sanction of an ordinary resolution of the Company exceed an amount equal to three times the Adjusted Capital and Reserves.

4.15.2 For the purposes of the Articles, "Adjusted Capital and Reserves" means a sum equal to the aggregate, as shown by the relevant balance sheet (being the most recent audited consolidated balance sheet of the Group at the relevant time), of the amount paid up or credited or deemed to be paid up on the issued or allotted share capital of the Company and the amount standing to the credit of the reserves of the Company and its subsidiary undertakings included in the consolidated relevant balance sheet but after:

4.15.2.1 making such adjustment as may be appropriate to reflect the profit or loss of the Company since the relevant balance sheet;

4.15.2.2 excluding any amount set aside for taxation (including any deferred taxation) or any amounts attributable to outside shareholders in subsidiary undertakings of the Company;

4.15.2.3 making such adjustments as may be appropriate in respect of any variation in the amount of such paid up share capital and or any reserves (other than the profit and loss account) after the date of the relevant balance sheet. For this purpose, if any issue or proposed issue of shares by the Company for cash has been underwritten then such shares shall be deemed to have been issued and the amount (including any premium) of the subscription monies paid for them (other than money to be paid more than six months after the allotment date) shall to the extent so underwritten be deemed to have been paid up on the date when the issue of such shares was underwritten (or, if such underwriting was conditional, on the date when it became unconditional);

4.15.2.4 making such adjustments as may be appropriate in respect of any distribution declared, recommended, made or paid by the Company or its subsidiary undertakings (to the extent not attributable directly or indirectly to the Company) out of profits earned up to and including the date of the relevant balance sheet to the extent such distribution is not provided for in such balance sheet;

4.15.2.5 making such adjustments as may be appropriate in respect of any variation in the interests of the Company in its subsidiary undertakings (including a variation where an undertaking ceases to be a subsidiary undertaking) since the date of the relevant balance sheet; and

4.15.2.6 making such adjustments as the auditors of the Company consider appropriate.

4.16 *Untraced shareholders*

Subject to the Articles, the Company may sell any shares in the Company registered in the name of a member remaining untraced for 12 years who fails to communicate with the Company following advertisement of an intention to make such a disposal. Until the Company can account to the member, the net proceeds of sale will be available for use in the business of the Company or for investment, in either case at the discretion of the Directors. The proceeds will not carry interest.

4.17 *Meetings*

4.17.1 Annual General Meetings

The Company shall comply with the requirements of the Act regarding the holding of an annual general meeting.

4.17.2 General Meetings

All general meetings other than annual general meetings shall be called general meetings. General meetings may be called whenever the Board thinks fit or when one has been requisitioned in accordance with the Act.

A general meeting is to be called on at least 14 days' notice in writing exclusive of the day on which it is served or deemed to be served and the day on which the meeting is to be held. A general meeting can be called on shorter notice if a majority in number of the members having a right to attend and vote at the general meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right, consent. Subject to Section 318(1) of the Act, two members present in person or by proxy and entitled to vote shall be a quorum for all purposes.

4.18 *Rights attaching to Ordinary Shares*

The Ordinary Shares rank *pari passu* in the following respects:

4.18.1 they are in all respects identical;

4.18.2 they are of the same nominal value and the same amount per Ordinary Share has been paid up;

4.18.3 they carry the same rights as to unrestricted transfer, attendance and voting in general meetings and in all other respects; and

4.18.4 they are entitled to dividends at the same rate and for the same period so that at the next ensuing distribution to the dividend payable on each Ordinary Share will be the same amount.

All of the Ordinary Shares are fully paid and freely transferable.

4.19 *Summary*

The above is a summary of certain provisions of the Articles, the full provisions of which are available on the Company's website.

4.20 *Annual Report and Financial Statements*

4.20.1 Save as provided in the Articles, a copy of the annual accounts of the Company together with a copy of the auditors' report and the Directors' report and any other documents required to accompany or to be annexed to them shall, not less than 21 clear days before the date of the general meeting at which copies of those documents are to be laid, be sent to every member and to every debenture holder of the Company and to every other person who is entitled to receive notices from the Company of general meetings.

4.20.2 Copies of the documents referred to in the Articles need not be sent:

(a) to a person who is not entitled to receive notices of general meetings and of whose address the Company is unaware; or

(b) to more than one of the joint holders of shares or debentures in respect of those shares or debentures,

provided that any member or debenture holder to whom a copy of such documents has not been sent shall be entitled to receive a copy free of charge on application at the registered office of the Company.

4.20.3 The Company may, in accordance with the Act and any regulations made under it, send a strategic report with supplementary information to any of the persons otherwise entitled to be sent copies of the annual accounts and accompanying documents instead of or in addition to those documents and, where it does so, the statement shall be delivered or sent to such person not less than 21 days before the general meeting at which copies of those documents are to be laid.

5 Incentive Schemes

5.1 *General*

The Board believes that it is important that employees of the Group, contractors and other individuals who provide services to the Group are appropriately and properly incentivised. To this end, the EMI Plan, the Unapproved Plan and the SIP Plan were adopted by the Board on 18 September 2020. It is intended that the Notional Plan will be adopted by the Board following Admission.

The EMI Plan is a tax-favoured, EMI share option plan; however the rules of the plan allow for the grant of both EMI options and unapproved options for those employees who do not qualify for EMI options.

Under the EMI Plan and the SIP Plan, options may only be granted to employees of the Group. As the Board also wanted to have the discretion to grant options to contractors, it was necessary to set up a separate Unapproved Plan and Notional Plan.

5.2 *Main Features of the EMI Plan*

The main features of the EMI Plan are set out below.

5.2.1 Eligibility

Options may be granted to employees (including executive directors) of the Group. The Directors have an absolute discretion as to the selection of employees to whom options may be granted. However, options intended to qualify as EMI options may only be granted to employees who meet the criteria for EMI options. Under the rules of the EMI Plan, the Directors may grant unapproved options to employees who do not meet the criteria to acquire EMI options.

5.2.2 Grant of Options

Following Admission, options may generally only be granted within 42 days of Admission, within 42 days of the announcement of the results of the Company for any period, or within 28 days of the person to whom they are granted first becoming an employee. However, options may also be granted in circumstances deemed by the Directors to be exceptional, provided that such grant is not in breach of the Market Abuse Regulation. No options may be granted after the tenth anniversary of the adoption of the EMI Plan.

5.2.3 Exercise Price

The exercise price shall be as specified by the Directors at the date of grant of each option. Where such option is a right to subscribe for Ordinary Shares, the exercise price in respect of that option shall not be less than the nominal value of an Ordinary Share.

5.2.4 *Limits on Grant of Options*

The aggregate number of Ordinary Shares issued or remaining issuable under the EMI Plan on any day together with the number of Ordinary Shares issued or remaining issuable under any other employees' share scheme of the Company or share scheme set up for the benefit of contractors or any persons providing services to the Company (but not including the SIP Plan or the Notional Plan) which have been granted in the previous 10 years or, if shorter, since Admission, may not exceed 10 per cent. of the number of Ordinary Shares in issue on that day. Awards under the SIP Plan will be satisfied through existing Ordinary Shares purchased in the market. The plan limits the value of Ordinary Shares which can be subject to EMI options at any time to no more than £3 million. In addition, no individual may hold EMI options over Ordinary Shares worth more than £250,000.

5.2.5 *Performance Targets*

The Directors may determine and specify that exercise of an option is conditional upon the meeting of performance targets. Such performance targets are at the discretion of the Board and can differ from employee to employee, but the targets must be capable of being met within 10 years of the date of grant.

5.2.6 *Variation of Share Capital*

In the event of any variation of the share capital of the Company, the Directors may make such adjustment as they consider appropriate to the aggregate number or description of option shares and/or the exercise price. In the case of an EMI option, no adjustment can be made that will affect the aggregate value of the option shares. Directors may make an adjustment even if such adjustment is a disqualifying event for EMI purposes.

5.2.7 *Vesting of Options*

Options will become exercisable once they have vested. Options granted before Admission that are not subject to performance conditions will vest in three tranches during a five year vesting period (as stated at one-third on each of the third, fourth and fifth anniversary of the date of grant). Options granted after Admission that are subject to performance conditions will vest when the performance targets are satisfied or waived or when the Directors in their discretion have deemed the performance targets to be satisfied (but no earlier than the expiry of the vesting period as stated at the date of grant). Options may also become vested in certain circumstances where an employee's employment ceases before the end of the relevant vesting or performance period.

5.2.8 *Rights and Restrictions*

An option granted under the EMI Plan is not transferrable. Options are exercisable within a limited time period which varies depending on whether the options were granted before or after Admission, the circumstances in which they have become exercisable and any terms specified in the option contract. Options will lapse if they are not exercised within the applicable period. Options will lapse in any event on the tenth anniversary of the date of grant, if not exercised before that date.

5.2.9 *Malus and Clawback*

In certain circumstances, the Directors may determine to cancel the EMI options of an executive director or a senior manager or reduce it by such number of option shares as the Directors consider to be fair and reasonable, taking account of all circumstances that the Directors consider to be relevant. Where the option has already been exercised, the Directors may determine a clawback amount in relation to the option.

5.2.10 *Alteration of the EMI Plan*

Prior to Admission, the Directors may at any time alter or add to any of the provisions of the EMI Plan in any respect. Following Admission, the Directors may at any time alter or add to any of the provisions of the EMI Plan in any respect provided that no alterations or additions shall be made to the advantage of existing or new option holders to certain provisions without the prior approval by ordinary resolution of the shareholders of the Company. This does not apply to any alterations or additions that are in the opinion of the Directors a minor amendment to benefit the administration of the EMI Plan, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment.

5.3 Main Features of the Unapproved Plan

The main features of the Unapproved Plan are set out below.

5.3.1 Eligibility

Options may be granted to employees (including executive directors) or officers (whether or not also an employee)) of the Group or contractors who are natural persons and who provide *bona fide* services to any member of the Group or associated company (otherwise than as an employee). The Directors have an absolute discretion as to the selection of persons to whom options may be granted.

5.3.2 Grant of Options

Following Admission, options may generally only be granted within 42 days of Admission, within 42 days of the announcement of the results of the Company for any period, or within 28 days of the person to whom they are granted first becomes a contractor. However, options may also be granted in circumstances deemed by the Directors to be exceptional, provided that such grant is not in breach of the Market Abuse Regulation. No options may be granted after the tenth anniversary of the adoption of the Unapproved Plan.

5.3.3 Exercise Price

The exercise price shall be as specified by the Directors at the date of grant of each option. Where such option is a right to subscribe for Ordinary Shares, the exercise price in respect of that option shall not be less than the nominal value of an Ordinary Share.

5.3.4 Limits on Grant of Options

The aggregate number of Ordinary Shares issued or remaining issuable under the Notional Plan on any day together with the number of Ordinary Shares issued or remaining issuable under any other employees' share scheme of the Company or share scheme set up for the benefit of contractors or any persons providing services to the Company (but not including the SIP Plan or the Notional Plan) which have been granted in the previous 10 years or, if shorter, since Admission, may not exceed 10 per cent. of the number of Ordinary Shares in issue on that day. Awards under the SIP Plan will be satisfied through existing Ordinary Shares purchased in the market.

5.3.5 Performance Targets

The Directors may determine and specify that exercise of an option is conditional upon the meeting of performance targets. Such performance targets are at the discretion of the Board and can differ from contractor to contractor, but the targets must be capable of being met within 10 years of the date of grant.

5.3.6 Variation of Share Capital

In the event of any variation of the share capital of the Company, the Directors may make such adjustment as they consider appropriate to the aggregate number or description of option shares and/or the exercise price.

5.3.7 Vesting of Options

Options will become exercisable once they have vested. Options granted before Admission that are not subject to performance conditions will vest in three tranches during a five year vesting period (one-third on each of the third, fourth and fifth anniversary of the date of grant). Options granted after Admission that are subject to performance conditions will vest when the performance targets are satisfied or waived or when the Directors in their discretion have deemed the performance targets to be satisfied (but no earlier than the expiry of the vesting period as stated at the date of grant). Options may also become vested in certain circumstances where a contractor's service ceases before the end of the relevant vesting or performance period.

5.3.8 *Rights and Restrictions*

An option granted under the Unapproved Plan is not transferrable. Options are exercisable within a limited time period which varies depending on whether the options were granted before or after Admission, the circumstances in which they have become exercisable and any terms specified in the option contract. Options will lapse if they are not exercised within the applicable period. Options will lapse in any event on the tenth anniversary of the date of grant, if not exercised before that date.

5.3.9 *Malus and Clawback*

In certain circumstances, the Directors may determine to cancel the option of an executive director, senior manager or contractor or reduce it by such number of option shares as the Directors consider to be fair and reasonable, taking account of all circumstances that the Directors consider to be relevant. Where the option has already been exercised, the Directors may determine a clawback amount in relation to the option.

5.3.10 *Alteration of the Unapproved Plan*

Prior to Admission, the Directors may at any time alter or add to any of the provisions of the Unapproved Plan in any respect. Following Admission, the Directors may at any time alter or add to any of the provisions of the Unapproved Plan in any respect provided that no alterations or additions shall be made to the advantage of existing or new option holders to certain provisions without the prior approval by ordinary resolution of the shareholders of the Company. This does not apply to any alterations or additions that are in the opinion of the Directors a minor amendment to benefit the administration of the Unapproved Plan, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment.

5.4 Main Features of the SIP Plan

The main features of the SIP Plan are as set out below:

5.4.1 *Eligibility*

Awards under the SIP Plan may be made to UK tax resident employees (including executive directors) of the Group that are not already participating in a SIP established by a connected company. All eligible employees with at least eighteen months' service must be invited to join and must be offered Ordinary Shares on similar terms.

5.4.2 *Grant of Awards*

Following Admission, awards may generally be made in accordance with the statutory framework for such plans, provided that any awards are not in breach of regulations or guidance with which the Company complies.

5.4.3 *Types of Awards*

Employees can be awarded up to £3,600 worth of free Ordinary Shares ("**Free Shares**") in any tax year, acquire Ordinary Shares ("**Partnership Shares**") up to the lower of £1,800 or 10% of their salary in any tax year, be awarded up to two Ordinary Shares ("**Matching Shares**") for every Ordinary Share they acquire, or apply cash dividends to acquire Ordinary Shares ("**Dividend Shares**").

5.4.4 *Limits on Grant of Awards*

There is no overall limit on awards that may be made by reference to the issued share capital of the Company.

5.4.5 *Performance Target*

The Directors may specify that the value or number of Free Shares (if any) to be awarded is determined (either in whole or in part) by reference to performance targets specified by the Directors for that award. The performance targets specified must apply to all eligible employees in relation to that award.

5.4.6 *Forfeiture Period*

The Directors may specify that a forfeiture period of three years may apply in relation to awards of Free Shares or Matching Shares. During this period the beneficial ownership of the Free Shares or Matching Shares would automatically transfer from the participant to the trustee of the SIP Plan for no consideration in the event of the participant ceasing to be an employee by reason other than injury or disability, redundancy, transfer, change of control, retirement or death.

5.4.7 *Holding Period*

There is a holding period of between three and five years in relation to Free Shares and Matching Shares commencing on the date of the award, and three years for Dividend Shares commencing on their acquisition. During this period the participant must allow such plan shares to remain in the hands of the trustee of the SIP Plan and must not assign, charge or otherwise dispose of the beneficial interest in those plan shares. The participant may withdraw such shares from the plan at the end of the applicable holding period.

5.4.8 *Sale on Cessation of Employment*

The Directors may specify that Partnership Shares and Dividend Shares will be required to be offered for sale on cessation of a participant's employment. The price at which they must be offered for sale will depend on whether or not employment ends more than three years after the Partnership Shares or Dividend Shares were acquired and whether it ends by reason of injury or disability, redundancy, transfer, change of control, retirement or death.

5.4.9 *Alteration of the SIP Plan*

The Directors may at any time alter or add to any of the provisions of the SIP Plan in any respect provided that no alterations or additions shall be made if the effect would be that the plan would not longer be a Schedule 2 SIP. In addition, following Admission, the Directors may alter or add to any of the provisions of the SIP Plan in any respect to the advantage of existing or new participants in relation to certain provisions only with the prior approval by ordinary resolution of the shareholders of the Company. This does not apply to any alterations or additions that are in the opinion of the Directors a minor amendment to benefit the administration of the SIP Plan, to take account of any change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment.

5.5 Main Features of the Notional Plan

It is expected that the Notional Plan will be adopted by the Board following Admission. It is proposed that the main features of the Notional Plan will be as set out below:

5.5.1 *Eligibility*

Awards under the Notional Plan may be awarded to employees (including executive directors) or officers (whether or not also an employee) of the Group, or contractors who are natural persons and who provide *bona fide* services to any member of the Group (otherwise than as an employee). The Directors have an absolute discretion as to the selection of persons to whom awards may be made.

5.5.2 *Grant of Awards*

Following Admission, awards may generally only be made within 42 days of Admission or within 42 days of the announcement of the results of the Company for any period. However, options may also be granted in circumstances deemed by the Directors to be exceptional, provided that such grant is not in breach of regulations or guidance with which the Company complies.

5.5.3 *Base Price and Appreciation Amount*

The Directors may make awards of options with a base price of £0.01 ("**Nil Cost Options**"), or with a base price equal to the market value of an Ordinary Share at the date of grant of the award ("**Growth Options**"). The gross amount payable to the participant on the realisation of their option ie. the appreciation amount, is the difference between the Ordinary Share market value at the date of realisation of the award and the base price.

5.5.4 *Limits on Grant of Awards*

No award shall be made to a participant which would result in the market value (as at the date of award) of all (i) Nil Cost Options awarded to that participant during any tax year exceed £3,600 or (ii) Growth Options awarded to that participant during any tax year exceed the lower of £1,800 or ten per cent. of the participant's salary in respect of that tax year. However, other amounts may be determined by the Directors from time to time.

5.5.5 *Performance Target*

The Directors may determine and specify that realisation of a Nil Cost Option is conditional upon the meeting of a performance target. Such performance targets are at the discretion of the Board and can differ from participant to participant.

5.5.6 *Variation of Share Capital*

In the event of any variation of the share capital of the Company, any option may be adjusted by the Directors in such manner and with effect from such date as they may determine in their discretion to be appropriate.

5.5.7 *Vesting of Options*

Options awarded under the Notional Plan will become realisable once they have vested. Options granted after Admission that are not subject to a performance target will vest at the date set out in the award certificate. Options granted after Admission that are subject to performance conditions will vest when the performance target is met or waived or when the Directors in their discretion have deemed the performance target to be satisfied (but no earlier than the vesting date). Options may also become realisable in certain circumstances where a participant's employment, office or service ceases before the end of the relevant vesting or performance period.

5.5.8 *Rights and Restrictions*

An option granted under the Notional Plan is not transferrable. Options may not be realised after the date on which the participant to whom such option was awarded ceases employment, office or consultancy within the Group and any option not realised by that time shall lapse immediately.

5.5.9 *Alteration of the Notional Plan*

The Directors may at any time alter or add to any of the provisions of the Notional Plan in any respect, but an amendment may not adversely affect the rights of an existing participant except where the amendment has been approved by those existing participants who would be adversely affected by the amendment.

6 Directors' and other Interests

6.1 The following table lists each Director together with his title, age, date of appointment and date of expiration of current term of office:

Name	Title	Age	Date of appointment	Date of expiration of current term of office
George Elliott	Non-Executive Chairman	67	1 October 2013	Next AGM
Thomas (Tommy) Cook	Chief Executive Officer	60	27 March 2006	Next AGM
Ashleigh Joanne Greenan	Chief Financial Officer	41	15 May 2020	Next AGM
Ann Cochrane Cook Wallace Budge	Non-Executive Director	72	1 April 2009	Next AGM
Graeme Bissett	Non-Executive Director	62	1 May 2020	Next AGM

6.2 The interests (within the meaning of sections 820-825 of the Act) of each Director and (so far as is known to the Directors having made all reasonable enquiries) persons connected with them, which expression shall be construed in accordance with the AIM Rules for Companies, in the issued share capital of Company, excluding any options in respect of such capital (details of which are set out at paragraph 6.5 of this Part IV):

6.2.1 all of which are beneficial and legal in the issued share capital of the Company as at the Last Practicable Date; and

6.2.2 all of which are beneficial and legal, in the issued share capital of the Company immediately following Admission,

in each case, are as follows:

	As at the Last Practicable Date		Immediately following Placing and Admission	
Names	**Ordinary Shares**	**% of Ordinary Shares in issue**	**Ordinary Shares**	**% of Enlarged Issued Share Capital**
Directors				
George Elliott	Nil	Nil	950,018	1.1
Thomas (Tommy) Cook	24,190,099	40.30%	18,377,764	21.0
Ashleigh Greenan	Nil	Nil	235,926	0.3
Ann Budge	4,424,369	7.37%	2,654,621	3.0
Graeme Bissett	Nil	Nil	70,614	0.1

6.3 Save as disclosed in this Admission Document, no Director has any interest in the share capital or loan capital of the Company or any of the subsidiaries of the Company nor does any person connected with the Directors (within the meaning of section 252 of the Act) have any such interests, whether beneficial or non-beneficial.

6.4 Save as disclosed in this Admission Document, no Director has any option over or warrant to subscribe for any Ordinary Shares in the Company.

6.5 As at the date of this Admission Document, the following options, which will be exercised in full on Admission, have been granted to Directors:

Names	Date of grant	Type of options	Option Shares	Exercise Date	Lapse Date	Aggregate Exercise Price
George Elliott	10 October 2018	Unapproved options	1,422,862	Immediately prior to an exit event, where gross proceeds exceed £10 million	5 years from the date of grant	£217,634
Graeme Bissett	27 August 2020	Unapproved options	72,570	Immediately prior to an exit event	5 years from the date of grant	£900
Ashleigh Greenan	17 February 2020	EMI options	241,901	Immediately prior to an exit event	10 years from the date of grant	£2,750

As at the date of this Admission Document, no Options have been awarded to Directors to take effect from Admission.

6.6 In respect of the Directors, there are no potential conflicts of interest between any duties they have to the Company and their private interests and/or other duties they may have.

6.7 No Director or any member of his or her immediate family nor any person connected with him or her (within the meaning of section 252 of the Act) has a related financial product (as defined in the AIM Rules for Companies) referenced to Ordinary Shares.

7 Significant shareholders

7.1 The Company is aware of the following persons who, as at the Last Practicable Date and following Admission, have interests in voting rights over 3 per cent. or more, of the issued share capital or voting rights of the Company:

	As at the Last Practicable Date		Immediately following Placing and Admission	
Names	Ordinary Shares	% of Ordinary Shares in issue	Ordinary Shares	% of Enlarged Issued Share Capital
Thomas (Tommy) Cook	24,190,099	40.30	18,377,764	21.00
BGF Investment Management Limited	Nil	Nil	13,125,000	15.00
Scottish Enterprise	15,721,387	26.19	7,860,693	8.98
Otus Capital Management Limited	Nil	Nil	7,500,000	8.57
Lombard Odier Asset Management	Nil	Nil	7,291,666	8.33
Slater Investments Limited	Nil	Nil	5,458,333	6.24
Ann Budge	4,424,369	7.37	2,654,621	3.03

7.2 Save as disclosed in paragraph 7.1, as at the Last Practicable Date, so far as the Directors are aware, no person, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

7.3 As at the Last Practicable Date, so far as the Directors are aware, there are no arrangements the operation of which may at a later date result in a change of control of the Company.

7.4 None of the Company's significant holders of Ordinary Shares listed in paragraph 7.1 has voting rights which are different from other holders of Ordinary Shares.

7.5 There are no loans made or guarantees granted or provided by any member of the Group to or for the benefit of any Director.

8 Selling Shareholders

It is anticipated that an aggregate of 34,375,000 Sale Shares will be sold to Placees pursuant to the Placing as follows:

Names	Relationship with the Company	Business address	No. of Existing Ordinary Shares included in the Sale Shares
Thomas Cook	Director	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	5,812,335
Ashleigh Greenan	Director	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	5,975
Ann Budge	Director	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	1,769,748
George Elliot	Director	c/o Calnex Solutions plc, Oracle Campus,Linlithgow, West Lothian, EH49 7LR	472,844
Graham Bisset	Director	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	1,956
Scottish Enterprise	Investor	Scottish Enterprise HQ, Atrium Court, 50 Waterloo Street, Glasgow, G2 6HQ	7,860,694
Scottish Loan Fund L.P.	Investor	35 Melville Street, Edinburgh, EH3 7JF	3,750,000
John McElroy	Former Director	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	1,408,154
Greendrum Limited	Investor	Dundee One, River Court, 5 West Victoria Dock Rd, Dundee DD1 3JT	364,787
Malcolm Paterson	Former employee	c/o Calnex Solutions plc, Oracle Campus,Linlithgow, West Lothian, EH49 7LR	122,886
James Hunter	Former owner of JAR Technologies Limited	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	167,154
Ryan McAnlis	Former owner of JAR Technologies Limited	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	83,456
Philip Cassidy	Former owner of JAR Technologies Limited	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	9,918
Bright Sky Facilities Management Limited	Former owner of JAR Technologies Limited	Alfred House 4th Floor, Alfred Street, Belfast, BT2 8ED	1,053,721
Invest Northern Ireland	Former owner of JAR Technologies Limited	Bedford Square, Bedford Street, Belfast, BT2 7ES	22,981
Techstart NI SME Equity LP	Former owner of JAR Technologies Limited	3rd Floor, 21 Talbot Street, Belfast, BT1 2LD	1,180,477

Names	Relationship with the Company	Business address	No. of Existing Ordinary Shares included in the Sale Shares
Feature Creep (NI) Ltd	Former owner of JAR Technologies Limited	24 Pembridge Court, Belfast, BT4 2RW	71,603
Anand Ram	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	1,802,888
Jeff Wright	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	241,901
Ger Kirk	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	302,376
Paul Norris	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	509,928
John Pearson	Investor	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	892,252
James Roy	Investor	Spalding House, 90-92 Queen St, Broughty Ferry, DD5 1AJ	604,717
Laura Conway	Investor	Spalding House, 90-92 Queen St, Broughty Ferry, DD5 1AJ	663,728
John Beaton	Investor	Spalding House, 90-92 Queen St, Broughty Ferry, DD5 1AJ	614,550
James Scott Carnegie	Investor	Spalding House, 90-92 Queen St, Broughty Ferry, DD5 1AJ	184,329
Stephen Bruce	Investor	Spalding House, 90-92 Queen St, Broughty Ferry, DD5 1AJ	147,512
Graeme Hay	Investor	Spalding House, 90-92 Queen St, Broughty Ferry, DD5 1AJ	786,662
Franceso Jozef Esposito	Investor	Spalding House, 90-92 Queen St, Broughty Ferry, DD5 1AJ	786,662
John Bennett	Investor	Spalding House, 90-92 Queen St, Broughty Ferry, DD5 1AJ	393,235
John Mountford	Investor	Spalding House, 90-92 Queen St, Broughty Ferry, DD5 1AJ	245,771
Eric Percival	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	5,786.00
Douglas Butler	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	10,160
Gordon Muir	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	29,029
Tracy Cameron	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	42,333

Names	Relationship with the Company	Business address	No. of Existing Ordinary Shares included in the Sale Shares
Stephen Mossom	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	72,570
Jamie Robb	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	897.00
Shane McKeown	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	50,800
Paul McGee	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	101,599
Iain MacLeod	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	169,331
Neil Ferguson	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	62,894
Will McFarlane	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	193,521
James Grigor	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	50,800
Colin Scott	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	174,169
Fiona Angus	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	19,352
Peter Duncan	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	12,095
Andrew Taylor	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	24,190
Alan Potter	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	23,949
Fraser Winters	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	36,285
Karen Bonnar	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	10,886
Ian Horsburgh	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	29,028

Names	Relationship with the Company	Business address	No. of Existing Ordinary Shares included in the Sale Shares
Stuart Pooley	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	48,380
David Lee	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	24,190
Tim Frost	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	26,609
Dave Watson	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	62,894
Duncan Davidson	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	284,234
Claire Wishart	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	169,331
Tracey Gilfillan	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	48,380
Vince Mackay	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	36,285
Richard Collie	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	29,028
Adam Paterson	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	108,855
David Robertson	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	1,793.00
Crawford Colville	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	6,048
Gordon Ward	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	12,095
Troy Bergstrom	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	3,585.00
Albert Yuen	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	3,585.00
Kuai Hongyan	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	2,390.00

Names	Relationship with the Company	Business address	No. of Existing Ordinary Shares included in the Sale Shares
Xiaodong Lyu	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	2,390.00
Santosh Shetty	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	1,076.00
Surendra Badu	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	598.00
Kun Huang	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	24,190
Yuanhong Lin	Employee	c/o Calnex Solutions plc, Oracle Campus, Linlithgow, West Lothian, EH49 7LR	24,190

The Sale Shares will be sold to Placees pursuant to the terms of the Placing Agreements referred to in paragraph 12.1 of this Part IV.

9 Additional information on directors

9.1 The Directors hold or have held the following directorships (in addition to the Company) and/or are or have been a partner in the following partnerships within the five years prior to the date of this Admission Document:

Name	Previous directorships/memberships	Current directorships/memberships
Directors		
George Elliott	Onyx Logistics Limited Majenta Logistics Limited Vectis Technology Limited MicroEmissive Displays Group plc Elliott Corporate Development Limited Craneware plc Cooper Software Ltd Indigovision Group plc Par Equity Holdings Limited Two Big Ears Limited Traceall Global Limited Majenta Logistics Limited Visionware Limited	Design Led Products Limited RITF Consultants Limited Optoscribe Limited Metropol Communications Limited
Thomas Cook	N/A	Calnex Solutions (Berlin) Limited Calnex Solutions (Belfast) Limited Calnex Americas Corporation Calnex Solutions (Berlin) GmbH
Ashleigh Greenan	Parsons Peebles Group Limited PPG Realisations Limited PFW Realisations Limited Parsons Peebles Service (Holding) Limited Parsons Peebles Service (Reading) Limited Parsons Peebles Service Limited	N/A

Name	Previous directorships/memberships	Current directorships/memberships
Directors		
Ann Budge	The Scottish Professional Football League Limited The Heart LLC	Ravenscroft Wind LLP Pitchlife Development Limited Tynecastle Events Limited Big Hearts Community Trust Heart of Midlothian plc Bidco (1874) Limited Par Forestry Partnership No1 LLP ACB Consultancy Services Limited Discovery Investment Fund Limited
Graeme Bissett	Macfarlane Group plc Scottish Futures Trust Limited Scottish Futures Trust Investments Limited Interbulk Group plc Entrepreneurial Scotland Limited Curo Compensation Limited Entrepreneurial Scotland Group Limited	Smart Metering Systems plc Aberforth Split Level Income Trust plc The Scottish Association of Citizens Advice Bureaux Cruden Investments Limited Cruden Holdings Limited Realizzare Limited Anderson Strathern LLP The Entrepreneurial Scotland Foundation

9.2 Save as disclosed in this Admission Document, no Director has:

9.2.1 any unspent convictions in relation to indictable offences or convictions (including in relation to fraudulent offences);

9.2.2 had any previous names;

9.2.3 been bankrupt or the subject of an individual voluntary arrangement;

9.2.4 been a director of any company which had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors while he or she was a director or within the 12 months after he or she had ceased to be a director of that company;

9.2.5 been a partner of any partnership which went into compulsory liquidation, administration or partnership voluntary arrangement, while he or she was a partner or within the 12 months after he or she ceased to be a partner in that partnership;

9.2.6 been the owner of any asset which has been placed in receivership or a partner in any partnership which has been placed in a receivership while he or she was a partner in that partnership or within the 12 months after he or she ceased to be a partner in that partnership;

9.2.7 had any public criticism or received any sanction by statutory or regulatory authorities (including recognised professional bodies); or

9.2.8 been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

9.3 George Elliott was a director of:

9.3.1 MicroEmissive Displays Group plc when it was placed into administration on 3 December 2008 and when it was dissolved via a creditors voluntary winding up on 9 May 2016;

9.3.2 Onyx Logistics Limited when it was placed into liquidation through a members' voluntary winding up on 6 September 2018;

9.3.3 Metropol Communications Limited when it was placed into liquidation through a members' voluntary winding up on 6 September 2018;

9.3.4 Majenta Logistics Limited when it was placed into liquidation through a members' voluntary winding up on 6 September 2018;

9.3.5 Vectis Technology Limited when it was placed into liquidation through a members' voluntary winding up on 6 September 2018;

9.3.6 Elliott Corporate Development Limited when it was dissolved by voluntary strike-off on 4 July 2017; and

9.3.7 Calluna plc and its wholly owned subsidiary, Calluna Technology Limited went into administration within 12 months of George Elliott ceasing to be a director of both companies on 20 December 1999.

9.4 Graeme Bissett was a director of:

9.4.1 Dunfermline Building Society at the time that it was placed into administration by the Court of Session of Scotland on 30 March 2009;

9.4.2 Kew Design Limited when it was dissolved by voluntary strike-off on 4 August 2006; and

9.4.3 Alba Strategic Assets Limited when it was dissolved by voluntary strike-off on 4 October 2012.

9.5 Thomas Cook was a director of Calnex Solutions (Berlin) GmbH when it was placed into voluntary liquidation on 10 January 2020.

9.6 Each of Parsons Peebles Group Limited, PPG Realisations Limited, PFW Realisations Limited, Parsons Peebles Service (Holding) Limited, Parsons Peebles Service (Reading) Limited and Parsons Peebles Service Limited has entered into administration within 12 months of Ashleigh Greenan ceasing to be a director.

10 Directors' service contracts and remuneration

The services of the Directors are provided to the Group under the following agreements:

10.1 *Executive Directors*

Thomas Cook

Mr Cook entered into a service agreement with the Company dated 30 June 2020 setting out the terms of his appointment as the Company's Chief Executive Officer. His period of continuous employment commenced on 25 September 2007 and is continuing, subject to 12 months' notice by either party. The agreement provides for an annual salary of £150,000 (which is to be reviewed each year) and 32 days paid holiday (including public holidays). In addition, Mr Cook is also eligible for a discretionary bonus.

Ashleigh Greenan

Ms Greenan entered into a service agreement with the Company dated 10 July 2020 setting out the terms of her appointment as the Company's Chief Financial Officer. Her period of continuous employment commenced on 17 February 2020 and is continuing, subject to 6 months' notice by either party (following the first anniversary of the agreement). The agreement provides for an annual salary of £125,000 (which is to be reviewed each year) and 32 days paid holiday (including public holidays). In addition, Ms Greenan is also eligible for a discretionary bonus.

10.2 *Non-Executive Directors*

George Elliott

On 1 May 2020, Mr Elliott entered into an agreement setting out the terms and conditions of his appointment as Non-Executive Chairman. The appointment shall continue until terminated by either the Company or Mr Elliott on one months' written notice. Mr Elliott is paid an annual fee of £65,000 per annum (payable in equal monthly instalments). On termination, Mr Elliott shall only be entitled to such fees as may have accrued to the date of termination, together with reimbursement of any expenses properly incurred by him prior to the termination date.

Graeme Bissett

On 1 May 2020, Mr Bissett entered into an agreement setting out the terms and conditions of his appointment as a Non-Executive Director. The appointment shall continue until terminated by either the Company or Mr Bissett on one months' written notice. Mr Bissett is paid an annual fee of £40,000 per annum (payable in equal monthly instalments). On termination, Mr Bissett shall only be entitled to such fees as may have accrued to the date of termination, together with reimbursement of any expenses properly incurred by him prior to the termination date.

Ann Budge

On 1 June 2020, Ms Budge entered into an agreement setting out the terms and conditions of her appointment as a Non-Executive Director. The appointment shall continue until terminated by either the Company or Ms Budge on one months' written notice. Ms Budge is paid an annual fee of £40,000 per annum (payable in equal monthly instalments). On termination, Ms Budge shall only be entitled to such fees as may have accrued to the date of termination, together with reimbursement of any expenses properly incurred by her prior to the termination date.

11 Employees

11.1 The Group expects to have 95 employees (including executive directors but excluding non-executive directors) on Admission. The following table shows how many employees are working for each Group company as at 31 March 2020 and will be working for each Group company as at Admission:

Name of company	Jurisdiction	Number of employees as at 31 March 2020	Number of employees as at Admission
Calnex Solutions Limited	Scotland	84	89
Calnex Solutions (Belfast) Limited[(1)]	Northern Ireland	—	—
Calnex Solutions (Berlin) Limited[(2)]	Scotland	—	—
Calnex Berlin GmbH[(3)]	Germany	—	—
Calnex Americas Corporation	America	5	6

Notes:

(1) An application to strike-off Calnex Solutions (Belfast) Limited was submitted to the UK Registrar of Companies on 18 March 2020.

(2) An application to strike-off Calnex Solutions (Berlin) Limited was submitted to the UK Registrar of Companies on 18 March 2020.

(3) Calnex Berlin GmbH is currently in liquidation. The scheduled date for the dissolution of the company is 31 December 2020.

11.2 The average number of employees (including Directors): (i) during the financial year ending 31 March 2018 was 71; (ii) during the financial year ending 31 March 2019 was 73; and (iii) during the financial year ending 31 March 2020 was 82.

12 Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) as set out in this paragraph 12 have been entered into by members of the Group: (i) within the two years immediately preceding the date of this document which are or may be material to the Group; or

(ii) at any time and contain obligations or entitlements which are, or may be, material to the Group, as at the date of this document:

12.1 *Placing agreement/letters*

12.1.1 The Company has entered into a placing agreement dated 21 September 2020 with the Directors, certain Selling Shareholders and Cenkos pursuant to which Cenkos, as the Company's broker, has been appointed to use its reasonable endeavours to procure the placing of the Placing Shares and the sale of certain of the Sale Shares. Cenkos' obligations are conditional upon Admission taking place on or before 8.00am on 5 October 2020 or such later date or time as the Company and Cenkos may agree, but in any event being no later than 19 October 2020. Subject to the terms and conditions of the Placing Agreement, the Company has agreed to pay Cenkos a fee of £200,000 plus VAT and a commission of up to 4.5 per cent. of the aggregate value of the Placing Price of the Placing Shares and the Sale Shares being sold. Under the terms of the Placing Agreement, the Company and the Directors have given certain customary warranties and indemnities to Cenkos in connection with Admission and other matters relating to the Company and its affairs. Cenkos may terminate the Placing Agreement in certain specified circumstances prior to Admission, principally if any of the warranties has ceased to be true and accurate or shall have become misleading.

12.1.2 The Company has entered into placing letters with each of the Selling Shareholders (other than those Selling Shareholders who are party to the Placing Agreement) and Cenkos pursuant to which Cenkos, as the Company's broker, has been appointed to use its reasonable endeavours to procure the placing of the Sale Shares (other than those Sale Shares being placed pursuant to the Placing Agreement). Cenkos' obligations are conditional upon Admission taking place on or before 8.00am on 5 October 2020 or such later date or time as the Company and Cenkos may agree, but in any event being no later than 19 October 2020. Subject to the terms and conditions of the placing letters, the Selling Shareholders have agreed to pay Cenkos a commission of up to 4.5 per cent. of the aggregate value of the Placing Price of the Sale Shares being sold. Under the terms of the placing letters, the Company and the Selling Shareholders have given certain customary warranties and indemnities to Cenkos in connection with Admission. Cenkos may terminate the placing letters in certain specified circumstances prior to Admission, principally if any of the warranties has ceased to be true and accurate or shall have become misleading.

12.2 *Lock-in agreements*

12.2.1 The Company has entered into a lock-in agreement with each of Tommy Cook, Ashleigh Greenan, John McElroy and Scottish Enterprise pursuant to which each of Tommy Cook, Ashleigh Greenan, John McElroy and Scottish Enterprise has agreed not to dispose of any of their interests in Ordinary Shares prior to the first anniversary of Admission, subject to certain customary exceptions. In addition, each of Tommy Cook, Ashleigh Greenan, John McElroy and Scottish Enterprise has undertaken for a period of 12 months from the first anniversary of Admission, that subject to certain limited circumstances, they shall only transfer their Ordinary Shares in such manner so as to maintain an orderly market in the Ordinary Shares.

12.2.2 The Company has also entered into lock-in agreements with Cenkos and each of Ann Budge, George Elliott and Graeme Bissett pursuant to which each of Ann Budge, George Elliott and Graeme Bissett agrees not to, and to use reasonable endeavours to ensure that their related parties will not (subject to certain exceptions): (i) dispose of any of their interests in Ordinary Shares prior to the date falling six months after Admission; and (ii) thereafter, for the following 18 months, only to dispose of them through the Company's broker at the relevant time.

12.2.3 In addition, the Company has entered into an agreement with Cenkos and each of John Pearson, James Roy, Laura Conway, John Beaton, James Scott Carnegie, Stephen Bruce, Graeme Hay, Franceso Jozef Esposito, John Bennett, Anand Ram, Jeff Wright and Ger Kirk pursuant to which John Pearson, James Roy, Laura Conway, John Beaton, James Scott Carnegie, Stephen Bruce, Graeme Hay, Franceso Jozef Esposito, John Bennett, Anand Ram, Jeff Wright and Ger Kirk have agreed that for a period of 12 months following Admission they will only dispose of their interests in Ordinary Shares through Cenkos so as to maintain an orderly market in the Company's Ordinary Shares.

12.3 ***Relationship agreement***

On 21 September 2020, the Company, Cenkos and Tommy Cook entered into a relationship agreement conditional upon Admission pursuant to which Tommy Cook has agreed, amongst other things, that:

12.3.1 the Group is managed for the benefit of the shareholders as a whole and is capable at all times of carrying on its business independently of Tommy Cook, or any of his connected persons;

12.3.2 all transactions, agreements and arrangements between any member of the Group, Tommy Cook, or any of his connected persons are on arm’s length basis and on normal commercial terms;

12.3.3 at least two directors who are considered to be independent shall at all times be appointed to the Board, unless there are exceptional circumstances and Cenkos consent to less than two;

12.3.4 the remuneration, nomination, audit, and risk and AIM Rules compliance committees shall, where practicable, be comprised of a majority of independent directors and shall be chaired by an independent director; and

12.3.5 Tommy Cook shall not acquire, nor offer to acquire or otherwise become interested in any shares in the Company where to do so would give rise to an obligation to make a general offer for the Company under rule 9 of the Takeover Code.

The agreement is effective for so long as Tommy Cook and persons connected with any of them hold in aggregate shares in the capital of the Company representing 20 per cent. or more of the total voting rights of the Company from time to time.

12.4 ***Registrar’s agreement***

12.4.1 The Company entered into a registrar’s agreement with the Registrar pursuant to which the Company appointed the Registrar to act as its registrar and provide services in relation to such appointment. In consideration of the services to be provided, the Company has agreed to pay the Registrar a minimum fee of £4,560 per annum.

12.4.2 Subject to earlier termination, the registrar’s agreement is for a fixed term of 3 years and shall then renew automatically thereafter. Either party may terminate the agreement on or after expiry of the three year term by giving not less than 6 months written notice. Either party may terminate the registrar’s agreement at any time in certain circumstances including, *inter alia*, the other party being in material breach of the agreement and such breach remains unremedied for 21 days or undergoing an insolvency event. The Registrar’s maximum liability under the registrar’s agreement in respect of any 12 month period is capped at an amount equal to twice the amount of the fees payable in any 12 month period. The parties give certain standard indemnities in favour of each other in the registrar’s agreement.

12.5 ***Nominated adviser and broker agreement***

The Company has entered into a nominated adviser and broker agreement dated 21 September 2020 with Cenkos pursuant to which the Company has appointed Cenkos to act as its nominated adviser and broker commencing on Admission. The agreement is for an indefinite term and is terminable at any time after the first anniversary of the agreement on 3 months’ notice by either party. In consideration of services to be provided, the Company has agreed to pay Cenkos an annual fee of £65,000.

12.6 ***Financing Arrangements***

12.6.1 The Company entered into: (i) a £1,995,000 amortising loan agreement dated 26 March 2018 (the "**Amortising Loan Agreement**"); and (ii) a £825,000 bullet loan agreement (the "**Bullet Loan Agreement**"), in each case with Thincats Participations Limited. Each of the Amortising Loan Agreement and the Bullet Loan Agreement has a 48 month term and charges interest at a rate of 8.5 per cent. per annum. Pursuant to the terms of the Amortising Loan Agreement and the Bullet Loan Agreement, the Company has given customary warranties, undertakings, covenants and indemnities to Thincats Participations Limited. Amounts outstanding under the Amortising Loan Agreement and the Bullet Loan Agreement from time to time are subject to early repayment on certain customary default events occurring. It is intended that the loans provided pursuant to each of the Amortising Loan Agreement and the Bullet Loan Agreement will be repaid in full upon Admission.

12.6.2 The Company proposes to enter into a £3 million revolving credit facility with Barclays Bank PLC (the "**Barclays Facility**"). The Barclays Facility is expected to take effect upon Admission and have a 36 month term, with interest accruing at a rate of 2.25 per cent. above Bank of England Base Rate per annum. Amounts undrawn under the Barclays Facility will accrue interest at a rate of 0.75 per cent. per annum. Pursuant to the terms of the Barclays Facility, the Company will give customary warranties, undertakings, covenants and indemnities to Barclays Bank PLC. Amounts outstanding under the Barclays Facility from time to time will be subject to early repayment on certain customary default events occurring. The Barclays Facility will be secured by way of: (i) a bond and floating charge granted in favour of Barclays Bank PLC by the Company; and (ii) cross-guarantees in favour of Barclays made between each member of the Group.

12.7 ***Warrant Instrument***

On 16 July 2013, the Company issued warrants (the "**Warrants**") to the Scottish Loan Fund L.P. entitling the Scottish Loan Fund L.P. to subscribe for Ordinary Shares representing, in aggregate, 5 per cent. of the fully diluted share capital from time to time (the "**Warrant Shares**"). The subscription price of the Warrants is equal to the nominal value of the Warrant Shares. Scottish Loan Fund L.P. has exercised its right to exercise the Warrants and, as such, Scottish Loan Fund L.P. will be issued with 3,750,000 Ordinary Shares immediately prior to the Placing and Admission.

12.8 ***Manufacturing and Sales Agreements***

12.8.1 The Company entered into a manufacturing agreement with Kelvinside Electronics in February 2020, pursuant to which Kelvinside Electronics has agreed to manufacture Calnex's products under an agreed pricing model. The agreement has a fixed two year term and automatically extends for rolling 12 month periods if not otherwise terminated. Either party may terminate the agreement on 180 days' written notice or, in the event of a material breach by either party of the agreement, the non-defaulting party may terminate the agreement on 90 days' written notice.

12.8.2 The Company has engaged Spirent, via its US subsidiary, Spirent Communications Inc, to distribute and sell its products in the United States and Canada pursuant to an agreement dated 16 May 2019. The agreement has a fixed two year term and automatically extends for rolling 12 month periods if not otherwise terminated. Under the terms of the agreement, the Company has granted exclusivity to Spirent as the only sales channel for Calnex branded products and the Spirent Network Emulator in North America. The agreement can be terminated by either party: (i) on giving 45 days' written notice to the other party prior to the end of the two year initial term or any renewal term; or (ii) on 30 days' notice should a party commit a material breach of the agreement.

12.8.3 The Company entered into an agreement on 10 December 2016 with Huawei Technologies Co Ltd ("**Huawei**") to directly supply Huawei with certain of its products.

The agreement has a 5 year term and extends for additional successive one year periods if not otherwise terminated. Under the terms of the agreement, the Company has granted Huawei an irrevocable, perpetual, non-exclusive, royalty free license to use its software for the purposes of using the products supplied under the agreement. The Company has also given certain warranties, undertakings and indemnities to Huawei pursuant to the terms of the agreement. Huawei may terminate the agreement at any time upon 90 days written notice to the Company. The Company may terminate the agreement by giving Huawei 60 days' written notice prior to the end of the 5 year initial term or any renewal term.

12.9 *Acquisition Agreements*

The Company acquired the entire issued share capital of JAR Technologies Limited ("**JAR**") pursuant to a share purchase agreement entered into between the Company and the then shareholders of JAR on 26 March 2018. The consideration for the entire issued share capital of JAR was in the form of a transfer of shares in the Company at a value of £96,401. Under the terms of the share purchase agreement, shareholders of JAR gave certain customary warranties and indemnities to the Company.

The business carried on by JAR has subsequently been hived up to the Company at book value.

13 Related party transactions

Save as disclosed in this Admission Document, the Company has not entered into any transactions with related parties in the financial years ended 31 March 2018, 31 March 2019, 31 March 2020 and the current financial year.

14 Investments

There are no investments made, being made by the Company or to be made in the future in respect of which firm commitments have been made.

15 Property

15.1 *Freehold property*

The Company does not own any freehold property.

15.2 *Leasehold property*

The following table provides summary information about the property leased by the Group and any encumbrances or charges on that property:

Property Description	Location	Tenant	Term	Rent
Lower Ground Floor, Phase 2, Springfield, Blackness Road, Linlithgow, Scotland	Linlithgow, Scotland	Calnex Solutions plc	1 December 2014 – 30 November 2024	£76,111.00 (exclusive of VAT) per annum payable quarterly in advance on 25 March, 24 June, 29 September and 25 December in each year.
7 James Street South, Belfast	Belfast, Northern Ireland	Calnex Solutions plc	1 February 2016 – 31 January 2021	£20,000.00 per annum payable quarterly in advance on 1 February, 1 May, 1 August and 1 November each year.
B181 F4, 1#, No.15 GuangHua Rd., ChaoYang Dist., Beijing China	Beijing, China	Calnex Solutions plc	10 April 2020 to 9 April 2021	¥62,400 per annum payable monthly in advance

16 UK taxation

16.1 *General*

16.1.1 These comments are intended only as a general guide to the current tax position in the United Kingdom as at the date of this document. The comments assume that the Ordinary Shares are held as an investment and not as an asset of a financial trade and that any dividends paid are not foreign income dividends. If you are in any doubt as to your tax position or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser.

16.1.2 The comments are based on UK tax law and understanding of published HM Revenue and Customs ("**HMRC**") practice at the date of this document, all of which are subject to change, possibly with retrospective effect. The comments are a general guide only and do not apply to certain categories of Shareholder, such as persons owning shares as securities to be realised in the course of a trade, persons owning more than a 10 per cent stake in the Company, persons who are not resident in the United Kingdom, or are resident but not domiciled in the United Kingdom.

16.1.3 Certain Shareholders, such as dealers in securities, collective investment schemes, insurance companies and persons acquiring their Ordinary Shares in connection with their employment or as an office holder may be taxed differently and are not considered. Furthermore, the following paragraphs do not apply to potential investors who intend to acquire Ordinary Shares as part of tax avoidance arrangements; or persons with special tax treatment such as pension funds, trustees of discretionary trusts or charities. The following is not intended to be, nor should it be considered to be, legal or tax advice to any particular investor. Accordingly, all potential investors are advised to obtain their own professional advice on the tax implications of acquiring, owning and/or disposing of Ordinary Shares.

16.2 *Dividends*

16.2.1 Dividends received from the Company by a UK tax resident individual shareholder will form part of the Shareholder's total income for income tax purposes and will constitute the top slice of that income. A nil rate of income tax will apply to the first £2,000 of taxable dividend income received by the shareholder in a tax year. Where the dividend income is above the £2,000 dividend allowance, the first £2,000 of the dividend income will be charged at the nil rate and any excess amount will be taxed at the rate that would apply to that amount if the nil rate did not exist. The rates are 7.5 per cent to the extent that the excess amount falls within the basic rate tax band, 32.5 per cent to the extent that the excess falls within the higher rate tax band and 38.1 per cent to the extent that the excess amount falls within the additional rate tax band.

16.2.2 UK tax resident corporate shareholders will not generally be subject to tax on dividends received by the Company as long as the dividends fell within an exemption and certain other conditions are met. Examples of dividends that fall within an exemption are dividends paid on ordinary shares for UK tax purposes which are not redeemable (it is noted that the Ordinary Shares should for these purposes constitute such ordinary shares) as well as dividends paid to a company holding less than 10 per cent of the issued share capital of the payer.

16.2.3 Non-resident shareholders may be taxed on their UK income. Where dividends from the company are the only source of UK income for a non-resident shareholder, the shareholder should have no further UK income tax to pay upon their receipt of a dividend from the Company. Shareholders may also be subject to foreign taxation on dividend income under applicable local law.

16.3 *Capital Gains*

16.3.1 A disposal of Ordinary Shares by a Shareholder resident or, in the case of an individual, resident for UK tax purposes in the United Kingdom may, depending on the Shareholder's circumstances and subject to any available exemptions, allowances or reliefs (such as entrepreneurs relief), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains.

16.3.2 A disposal of Ordinary Shares by a Shareholder who is resident in the United Kingdom for United Kingdom tax purposes or who is not UK tax resident but carries on business in the United Kingdom through a branch, agency or permanent establishment with which their investment in the Company is connected may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains or capital gains, depending on the Shareholder's circumstances and subject to any available exemption or relief.

16.3.3 In the absence of any available allowances and reliefs, a gain arising on the disposal of Ordinary Shares by a UK tax resident Individual Shareholder will be taxed at a rate of 10 per cent except to the extent that the gain (calculated in Sterling), when it is added to the Shareholder's other taxable income in excess of the personal allowance and other gains in the relevant tax year, exceeds the upper limit of the basic rate income tax band (£50,000 for the tax year ending 5 April 2020), in which case it will be taxed at the rate of 20 per cent. The capital gains tax annual exemption (£12,300 for the tax year ending 5 April 2021) may be available to an individual shareholder to offset against chargeable gains realised on the disposal of Ordinary Shares. Please note the receipt of carried interest gains and gains arising on the disposal of UK residential property can be taxed at 18 per cent. and 28 per cent. instead of 10 per cent. and 20 per cent.

16.3.4 For a Shareholder which is a UK tax resident company, any gain on the disposal of its Ordinary Shares will be subject to corporation tax (19 per cent for the tax year ending 31 March 2021) in the absence of any available exemptions and reliefs.

16.3.5 Subject to the below, shareholders who are not resident in the UK for tax purposes will not generally be subject to UK tax on chargeable gains, unless they carry on a trade, profession or vocation in the UK through a branch or agency or (in the case of a company) permanent establishment and the Ordinary Shares disposed of are used or held for the purposes of that branch, agency or permanent establishment.

16.3.6 A shareholder who is an individual, who has ceased to be resident for tax purposes in the United Kingdom for a period of less than five years who disposes of Ordinary Shares during that period may be liable to UK taxation on capital gains (in the absence of any available exemptions or reliefs). If applicable, the tax charge will arise in the tax year that the individual returns to the United Kingdom.

16.4 *Stamp duty and stamp duty reserve tax*

16.4.1 No stamp duty or SDRT should be payable on the issue of Ordinary Shares (whether in certificated form outside of CREST or credited in uncertificated form to an account in CREST).

16.4.2 On the basis that the Ordinary Shares are admitted to trading on AIM but not listed on that or any other market, subsequent dealings in Ordinary Shares should not be subject to stamp duty or SDRT. Otherwise, transfers of Ordinary Shares for value will generally give rise to a liability to pay UK *ad valorem* stamp duty or SDRT at a rate of 0.5 per cent of the amount or value of the consideration (rounded up in the case of stamp duty to the nearest £5). The above statements are intended to be a general guide to the current stamp duty and SDRT position and apply regardless of whether or not a Shareholder is resident in the UK for UK tax purposes.

17 Mandatory bids, squeeze out and sell-out rules relating to the Ordinary Shares

17.1 *Mandatory bid*

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of Ordinary Shares were to increase the aggregate holding of the acquiror and its concert parties to shares carrying 30 per cent. or more of the voting rights in the Company, the acquiror and, depending on the circumstances, its concert parties, would be required (except with the consent of the Takeover Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for the Ordinary Shares by the acquiror or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of shares by a person holding (together with its concert parties) shares carrying at least 30 per cent. but not more than 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the voting rights.

17.2 ***Squeeze-out***

Under the Act, if an offeror were to acquire 90 per cent. of the Ordinary Shares within four months of making its offer, it could then compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to the Shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

17.3 ***Sell-out***

The Act also gives minority Shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If a takeover offer related to all the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of shares to which the offer relates who has not accepted the offer can by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises its rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

18 Working capital

The Directors are of the opinion that, after having made due and careful enquiry, the working capital available to the Company and the Group will be sufficient for its present requirements, that is for at least the next twelve months from the date of Admission.

19 Litigation

No member of the Group is or has been involved in any governmental, legal or arbitration proceedings and the Company is not aware of any such proceedings pending or threatened by or against the Group during the 12 months preceding the date of this Admission Document which may have or have had in the recent past a significant effect on the financial position or profitability of the Group.

20 No significant change statement

Save as set out in this Admission Document, there has been no significant change in the financial position or financial performance of the Group since 31 March 2020, the date to which the historical consolidated financial information set out in Part III of this Admission Document was prepared.

21 General

21.1 The total costs and expenses of, or incidental to, the Placing and Admission, all of which are payable by the Company, are estimated to be approximately £1.0 million (exclusive of value added tax). The expected net proceeds of the Placing, after deductions of such costs and expenses not already paid, are £5.0 million.

21.2 RSM Corporate Finance LLP has given and not withdrawn its written consent to the inclusion of its accountant's report in Part III of this document in the form and context in which it appears and has authorised the contents of that report for the purposes of Schedule Two of the AIM Rules for Companies.

21.3 Cenkos has given and not withdrawn its written consent to the inclusion in this Admission Document of references to its name in the form and context in which they appear.

21.4 The accounting reference date of the Company is 31 March.

21.5 It is expected that definitive share certificates will be despatched by hand or first class post by 19 October 2020. In respect of uncertificated shares, it is expected that Shareholders' CREST stock accounts will be credited on 5 October 2020.

21.6 The Directors are unaware of any exceptional factors which have influenced the Group's recent activities.

21.7 Save as disclosed in this Admission Document, no person (other than the Company's professional advisers named in this Admission Document and trade suppliers) has at any time within the 12 months preceding the application for Admission received, directly or indirectly, from the Company or any other member of the Group or entered into any contractual arrangements to receive, directly or indirectly, from the Company or any other member of the Group on or after Admission: (a) fees totalling £10,000 or more; (b) securities where these have a value of £10,000 or more calculated by reference to the Placing Price; or (c) any other benefit with a value of £10,000 or more at the date of Admission.

21.8 The Placing Price of 48.0 pence represents a premium of 38,300 per cent. above the nominal value of £0.00125 per Ordinary Share. The Placing Price is payable in full on application. The Placing is not being underwritten.

21.9 All the information provided in this document has been sourced from the Company and the Company's other advisers named on page 4 of this document. All such information has been accurately reproduced and, so far as the Company is aware and is able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where information has been sourced from a third party, the information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render such information inaccurate or misleading.

21.10 So far as the Directors are aware, there are no environmental issues that may affect the Group's utilisation of its tangible fixed assets.

21.11 Save as disclosed in this Admission Document, the Directors are not aware of any patents or other intellectual property rights, licences, particular contracts or new manufacturing processes which may be of material importance to the Group's business or profitability.

21.12 Save in connection with the application for Admission, none of the Ordinary Shares have been admitted to dealings on any recognised investment exchange and no application for such admission has been made and it is not intended to make any other arrangements for dealings in the Ordinary Shares on any such exchange.

21.13 There are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.

21.14 Save as disclosed in this Admission Document, the Directors are unaware of:

21.14.1 any significant trends in production, sales and inventory and costs and selling prices since 31 March 2020 (being the date to which the last audited accounts of the Group were prepared) to the date of this Admission Document; and

21.14.2 any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for at least the current financial year.

21.15 The auditors of the Company who audited the Company's accounts for the years ended 31 March 2018, 2019 and 2020 are FourM Limited a firm of chartered accountants registered with the institute of chartered accountants in Scotland.

21.16 There has been no public takeover bid for the whole or any part of the share capital of the Company or any member of its Group prior to the date of this document.

21.17 The Articles contain no restriction on the objects of the Company.

22 Documents available for inspection

Copies of the following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of the Company at Oracle Campus, Linlithgow, West Lothian, EH49 7LR for a period of 1 month from the date of this document:

22.1 the Articles adopted on 4 September 2020; and

22.2 the consolidated financial information of the Group set out in Section B of Part III of this Admission Document.

23 Copies of this document

A copy of this document will be available on the Company's website at www.calnexsol.com following Admission.

Dated: 21 September 2020

PART V

DEFINITIONS

"Act"	the Companies Act 2006, as amended
"Admission"	admission of the entire issued and to be issued share capital of the Company to trading on AIM and such admission becoming effective in accordance with the AIM Rules for Companies
"Admission Document"	this admission document dated 21 September 2020
"AIM"	the market of that name operated by the London Stock Exchange
"AIM Rules"	the AIM Rules for Companies and the AIM Rules for Nomads
"AIM Rules Compliance Committee"	the AIM Rules compliance committee of the Board
"AIM Rules for Companies"	the 'AIM Rules for Companies' issued by the London Stock Exchange, as amended from time to time, setting out the rules and responsibilities in relation to AIM companies
"AIM Rules for Nomads"	the 'AIM Rules for Nominated Advisers' issued by the London Stock Exchange, as amended from time to time, setting out the eligibility, ongoing obligations and certain disciplinary matters in relation to nominated advisers
"Articles"	the Company's articles of association
"Audit Committee"	the audit committee of the Board
"Board" or "Directors"	the directors of the Company, or a duly authorised committee thereof, whose names are set out on page 4 of this Admission Document
"Business Day"	a day other than a Saturday or Sunday or 2 January when banks are open for normal banking business in London
"Calnex" or the "Company"	Calnex Solutions plc, a public limited company registered in Scotland with registered number SC299625
"Cenkos"	Cenkos Securities PLC, a public limited company registered in England and Wales with registered number 5210733
"Certificated" or "in certificated form"	a share or other security which is not in uncertificated form (that is not in CREST)
"Companies Acts"	the Companies Act 1985, as amended, and the Act
"Component Manufacturers"	manufacturers of components for telecoms equipment
"CREST"	the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and the holding of shares in uncertificated form which is administered by Euroclear
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001/3755) as amended
"EEA"	the European Economic Area

"EMI Plan"	the Calnex Solutions plc EMI Share Option Plan
"Enlarged Issued Share Capital"	the entire issued Ordinary Share capital of the Company immediately following Admission, comprising the Existing Ordinary Shares and the Placing Shares
"Equipment Vendors"	suppliers of telecoms equipment
"Euroclear"	Euroclear UK & Ireland Limited, the operator of CREST
"Existing Ordinary Shares"	the 75,000,000 Ordinary Shares to be in issue immediately prior to the Placing and Admission
"FCA"	the UK Financial Conduct Authority
"Frost & Sullivan"	Frost & Sullivan Limited, a private limited company registered in England and Wales with registered number 01119817
"FSMA"	the Financial Services and Markets Act 2000 (as amended)
"Group"	the Company together with its subsidiaries
"HMRC"	Her Majesty's Revenue & Customs
"IAS"	International Accounting Standards
"IFRS"	International Financial Reporting Standards, as adopted for use in the European Union
"Internet of Things" or "IoT"	a system of interrelated computing devices, mechanical and digital machines provided with unique identifiers and the ability to transfer data over a network without requiring human-to-human or human-to-computer interaction
"ISIN"	International Securities Identification Number
"Kelvinside Electronics"	Kelvinside Electronics Limited, a private limited company registered in Scotland with registered number SC105407
"Large Enterprise"	an entity that employs over 250 people
"Last Practicable Date"	18 September 2020, being the last Business Day prior to the publication of this Admission Document
"Lock-In and Orderly market Arrangements"	the agreements by which Tommy Cook and others have agreed, with Cenkos and the Company, certain undertakings with respect to their holdings of Ordinary Shares on Admission, as more particularly described in paragraph 12.2 of Part IV of this Admission Document
"London Stock Exchange"	London Stock Exchange plc
"Market Abuse Regulation"	EU Market Abuse Regulation (Regulation 596/2014)
"Master-Slave"	a model of asymmetric communication or control where one device or process controls one or more other devices or processes and serves as their communications hub
"Nomad"	the Nominated Adviser to the Company, as defined in the AIM Rules
"Nomination Committee"	the nomination committee of the Board

"Notional Plan"	the Calnex Solutions plc Notional Share Option Plan
"Official List"	the Official List of the UKLA
"Operator"	has the meaning in the CREST Regulations
"Ordinary Shares"	ordinary shares of £0.00125 each in the capital of the Company
"Options"	rights to acquire (whether by subscription or market purchase) Ordinary Shares as described in paragraph 5 of Part IV of this document
"Placees"	subscribers for the Placing Shares, as procured by Cenkos on behalf of the Company pursuant to the Placing Agreement or purchasers of the Sale Shares
"Placing"	the conditional placing by Cenkos of the Placing Shares and the Sale Shares on behalf of the Company and the Selling Shareholders at the Placing Price pursuant to and on the terms of the Placing Agreement and placing letters with those Selling Shareholders who are not party to the Placing Agreement
"Placing Agreement"	the conditional agreement dated 21 September 2020 between (i) Cenkos; (ii) the Company; (iii) the Directors; and (iv) certain Selling Shareholders, relating to the Placing, further details of which are set out in paragraph 12.1 of Part IV of this Admission Document
"Placing Price"	48.0 pence per Placing Share
"Placing Shares"	the 12,500,000 new Ordinary Shares to be issued by the Company and placed with the Placees pursuant to the Placing
"Prospectus Regulation Rules"	the prospectus regulation rules made by the FCA pursuant to section 73A of FSMA from time to time
"QCA"	the Quoted Companies Alliance
"QCA Code"	the Corporate Governance Code for Small and Mid-Size Quoted Companies 2018, published by the QCA, as amended from time to time
"Register"	the register of members of the Company
"Registrar"	Computershare Investor Services plc, a public limited company registered in England and Wales with registered number 03498808
"Relationship Agreement"	the relationship agreement dated 21 September 2020 between Tommy Cook, Cenkos and the Company described in paragraph 12.3 of Part IV of this Admission Document
"Regulation S"	Regulation S promulgated under the Securities Act
"Regulatory Information Service" or "RIS"	any channel recognised as a channel for the dissemination of information as defined in the glossary of terms in the AIM Rules for Companies
"Remuneration Committee"	the remuneration committee of the Board
"Review Period"	the three statutory years ended 31 March 2020

"Sale Shares"	the 34,375,000 Ordinary Shares to be sold to Placees by the Selling Shareholders pursuant to the Placing
"Securities Act"	the US Securities Act of 1933, as amended
"SDRT"	stamp duty reserve tax
"SEDOL"	the Stock Exchange Daily Official List Identification Number
"Securities Act"	the United States Securities Act of 1933 (as amended)
"Selling Shareholder"	those individuals listed in paragraph 8 of Part IV of this Admission Document
"Share Schemes"	the Unapproved Plan, the EMI Plan, the SIP Plan and the Notional Plan, further details of which are set out in paragraph 5 of Part IV of this Admission Document
"Shareholders"	the holders of Ordinary Shares from time to time
"SIP Plan"	the Calnex Solutions plc Employee Share Incentive Plan
"Small Cells"	a radio access point with low radio frequency power output, footprint and range
"Smart City"	an urban area that uses different types of electronic IoT sensors to collect data
"Spirent"	Spirent Communications plc, a public limited company registered in England and Wales with registered number 00470893
"sterling" or "£"	UK pounds sterling, the lawful currency of the United Kingdom
"Subsidiaries"	any subsidiary as defined in the Act
"Takeover Code"	The City Code on Takeovers and Mergers issued by the Takeover Panel and, from time to time, any successor or replacement body thereof
"Takeover Panel"	the Panel on Takeovers and Mergers
"Telecoms Network Operator"	an operator of a telecoms network
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"UK Listing Authority" or "UKLA"	the Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA
"Unapproved Plan"	the Calnex Solutions plc Unapproved Share Option Plan
"USA" of "US" or "United States"	United States of America, each State thereof (including the District of Columbia), its territories, possessions and all areas subject to its jurisdiction
"US$" or "$"	the United States dollar
"uncertificated" or "in uncertificated form"	securities recorded on a register of securities maintained by Euroclear in accordance with the CREST Regulations as being in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST

PART VI

GLOSSARY

"3G"	the third generation technology standard for cellular networks
"4G"	the fourth generation technology standard for cellular networks
"5G"	the fifth generation technology standard for cellular networks
"AR"	augmented reality
"CAGR"	compound annual growth rate
"cloud"	an internet-based platform which uses computer technology stored on third-party servers rather than on an end-user's computer or server
"EBITDA"	earnings before interest, taxes, depreciation and amortisation
"Ethernet"	a family of computer networking technologies commonly used in local area networks, metropolitan area networks and wide area networks
"EMI"	employee management incentive
"Gbits/s"	gigabits per second
"IP"	intellectual property
"ISP"	internet service provider
"Mbits/s"	megabits per second
"NFV"	network function virtualisation
"OEM"	original equipment manufacturer
"PCA"	printed circuit assemblies
"platform"	in software, a major piece of software, such as an operating system, an operating environment or a database under which software programs or apps can be designed to run
"PoC"	proof-of-concept
"R&D"	research and development
"Router"	a device which forwards IP data packets to the appropriate parts of a computer network
"SDN"	software defined networks
"sq. ft"	square foot/feet
"Switches"	a device which forwards data packets to the appropriate parts of a computer network
"UHD"	ultra high definition
"VR"	virtual reality
"WAN"	wide area network
"Wifi"	wireless internet access

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16416-01