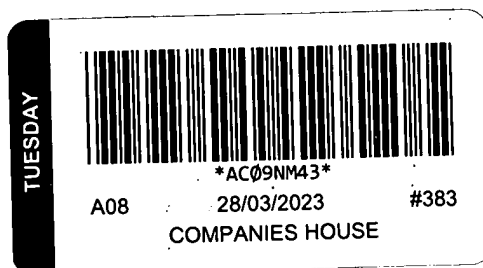


Tekmar Group Plc

Company number: 11383143
Year ended: 30 September 2022
Annual Report 2022



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Cautionary note and disclaimer

Forward-looking statements. This Annual Report contains certain forward-looking statements with respect to the operations, strategy, performance, financial condition and growth opportunities of the Group. By their nature, these statements involve uncertainty and are based on assumptions and involve risks, uncertainties and other factors that could cause actual results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this Annual Report and, other than in accordance with its legal and regulatory obligations, the Company undertakes no obligation to update these forward-looking statements. Nothing in this Annual Report should be construed as a profit forecast.

Non-GAAP measures and why we use them. Throughout this report we present underlying reports and measures. These underlying measures allow stakeholders to better compare the performance of the Group between current and prior periods by removing the impact of one-off or non-operational items. Exceptional items are explained in the Notes to the accounts and a reconciliation of GAAP to non-GAAP measures is also included within the report

Highlights

- Revenue of £30.2m (18M to 30 September 2021: £47m, 12M to September 2021: £31.8m) and Adjusted EBITDA loss of £2.1m for the year (18M to 30 September 2021: loss of £2.1m, 12M to 30 September 2021: loss of £2.9m).
- Revenue of £17.2m for H2 22 (6M to 31 March 2022: £13.0m) and Adjusted EBITDA loss of £0.3m (6M to 31 March 2022: loss of £1.8m) highlights an improved second-half performance.
- Gross margin of 23% represents a 330 basis points improvement on prior year (FY21: 20%) and shows business transition continues.
- Secured and delivered the Group's largest project to date in excess of £10m for pipeline protection systems in the Middle East.
- Selected for Dogger Bank C-Offshore Wind Farm (in continuation of the previously announced Dogger Bank A & B contracts), when delivered will be the largest global offshore wind project.
- The above contract awards support growth in our order book to £22.9m as at the end of December 2022, which is the largest reported since the Company's admission to AIM.
- On a statutory basis Group loss before tax was £5.2m (18M to 30 September 2021: £5.8m loss)
- The Group held £8.5m of cash as at 30 September 2022, including the drawdown of bank facilities from the £3.0m CBILS loan and £4.0m trade loan facility. Both these facilities were renewed post year end to 2023.
- The formal sale process and strategic review process continues and the Board anticipates drawing this process to a successful conclusion for the benefit of stakeholders.

Strategic Report

The Board has established a strategic plan that will see us capitalise on our strong foundations, diversifying further into the offshore wind industry by disciplined investment in new technology and innovation. We will do this through:

- a) Leveraging our market advantage
- b) Expanding and deepening our value proposition
- c) Innovation in applied engineering
- d) Disciplined investment
- e) Operational excellence
- f) Initiatives to return to profitability followed by high quality profitable growth
- g) Sustainable shareholder returns

The strategy is supported by our core building blocks

- a) Organic Growth: Ambition to double organic revenue growth
- b) Business Improvement: Deliver a sustainable mid-to high teens EBITDA margin in the later years of the plan
- c) Acquisition Strategy: Bolt-on technologies and services that align with our offshore wind focused growth plan

In June 2022 the Board announced the intention to seek a strategic partner to support the Group's opportunities for growth with an option to accelerate the plan.

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Chairman's Statement

In my introduction to last year's Annual Report, I highlighted how the business was navigating a business transition during a period when market conditions have been difficult. I am pleased to start this year's report by acknowledging the good progress that has been made by the business in delivering improved results over the last financial year, despite ongoing market challenges. Whilst we recognise the business has not yet returned to profitability, the recovery in sales and reduction in the Group's EBITDA losses during the in the second half of the year and the improvement in gross profit delivered in FY22 are important markers of business improvement. It is a clear positive to see the hard work of the team being reflected in this improved performance, with further improvement anticipated as the market recovers and grows.

This performance is particularly encouraging in the context of a market environment that continues to present challenges in a maturing industry. We are starting to see the anticipated recovery in the planned investment required to deliver the offshore wind capacity required to support energy transition, as envisaged by global initiatives such as Net Zero by 2050. The scale of the opportunity ahead that this investment presents for Tekmar is highlighted by the over 200GW increase in offshore capacity expected to be installed by 2030. This increase is from a current installed base globally of 55GW, which highlights the expected growth and opportunity we have in a market in which we have a critical role to play in supporting the required offshore infrastructure.

The industry is moving from a recovery phase to an accelerated growth phase to achieve the above commitments and aspirations for offshore wind continue to grow globally, with increased activity seen in Asian markets and the Americas as well as emerging opportunities across the project life-cycle. Tekmar has the market leadership and superior engineering and technology-based offering to develop our footprint in these new markets, which complements the significant growth opportunity that lies ahead in our more established markets. We will maintain our close relationships with the developers and tier 1 contractors as we continue to lead the way as a trusted partner across these important, sizeable and growing markets.

As we focus on our strategy of restoring sustainable profitable growth for the business, we are encouraged by the strength of our enquiry book, which is consistent with a recovering market, and are seeing signs of improving supply chain pricing to acceptable margin levels. Consistent with our margin improvement focus, we are leveraging our commercial discipline and technology leadership to capture more favourable project economics as we convert the enquiry book into firm orders.

Whilst we are on the right path and can clearly see the improvement in the underlying business, we remain very focused on managing the business prudently and on balance sheet stability. We have taken a number of steps over the last 12-18 months to improve the financial stability of the business. The Board has also remained focused on assessing additional measures and opportunities to strengthen the balance sheet and support its opportunities for growth.

Consistent with this approach, on 13 June 2022, we announced we would be conducting a formal sale process and strategic review process to identify a partner to support the Company's opportunities for growth and provide additional balance sheet strength. We anticipate drawing this process to a successful conclusion for the benefit of all stakeholders.

During the financial year, we announced the appointment of David Wilkinson as a new independent non-executive Director, with David replacing Chris Gill who had been on the Board since the IPO. Post the financial year-end, we announced that Derek Bulmer had resigned from his position as Group CFO, with Leanne Wilkinson, who was Group FD, appointed as Interim CFO. We would like to reiterate our thanks to Chris and Derek for their considerable contribution in strengthening Tekmar.

On behalf of the Board, I would like to thank all our staff for their resolute commitment and tenacity in focusing on improving the Group's performance. I am pleased they can see the fruits of their hard work coming through as the business recovers and continues to strengthen.

CEO Review

In our interim results announced in June 2022, we highlighted that we see 2022 and 2023 as transition years as we stabilise the business to navigate short term industry headwinds ahead of benefiting from the attractive structural growth drivers offered across our core offshore wind and broader energy markets.

The results we are announcing today for the year to 30 September 2022 should be seen in the context of this business transition. Today's results report a £2.1m Adjusted EBITDA loss for FY22, with an improved financial performance during the second half of the year where increased revenue supported a £0.3m loss at the Adjusted EBITDA level. This highlights the operating leverage we have in our business and that our business improvement initiatives are impacting key metrics. We recognise there is continued work ahead on the path to securing a sustained level of profitability and related cash generation for the business. We are confident the business will deliver on this objective, and that the positive industry outlook supports this. The level of our enquiry book, being at a record high, is a positive indicator of supportive market trends but it is taking time to see these enquiries convert to contract awards.

As we manage the business through this transition period, we continue to focus on managing cashflows and improving profitability through our business improvement programmes and securing and delivering high quality contracts with commercial discipline.

We are developing a more integrated, engineering-led offering to meet the maturing requirements of the offshore wind industry

The strategy we are executing is anchored on Tekmar maintaining and strengthening our market leadership position, particularly in the offshore wind industry – an industry which is forecast to grow from the current 55GW of global offshore wind capacity to over 250W by 2030.

We are developing our customer value proposition in line with evolving market requirements as the industry matures, with these requirements including more complex installations and an emerging and growing opex requirement. We are doing this by offering differentiated and integrated engineering-led solutions that add value to our customers. The success of this approach is highlighted by a number of recently awarded significant contract wins. These contract awards highlight Tekmar's continued position as a trusted partner alongside strengthening the business through diversification and regional expansion.

Recent contract awards of particular note include:

- the extension of our partnership with DEME Offshore, announced in December 2022, to design, manufacture and supply CPS for the Dogger Bank C offshore wind farm in the UK to be delivered in FY24 and FY25. The Dogger Bank windfarm is set to become the world's largest offshore wind farm by capacity. This builds on the initial contract award to provide CPS for the Dogger Bank A and B projects announced in December 2021;
- the £8m combined contract awards, announced in January 2023, to provide pipeline support and protection materials for major subsea construction projects in the Middle East. This builds on Tekmar's success in securing larger, profitable pipeline activity in the region, which represent some of Tekmar's largest contracts awarded to date;
- the award, announced in July 2022, to provide CPS for an offshore wind farm project in Japan. This contract represents an important strategic milestone as we extend our geographical reach into the Japanese offshore wind market and is expected to be delivered in 2023; and;
- the award of a design and build launch and recovery (LAR) system, further extending our capabilities as a leader within this specialist market (announced in January 2023)

These recent contract wins underpin the current order book of £22.9m (as of December 2022), supported by a record enquiry book of £370m. We see these as important indicators of an improving market outlook for new projects, as the industry emerges from the lag in offshore wind capacity investment we have highlighted with

previous results announcements. Industry analysts highlight visibility on over 300 projects for construction by 2030 as the industry invests US\$520bn⁽¹⁾ to build over 200GW⁽²⁾ of new offshore wind capacity by 2030. Additionally, the offshore wind market is a maturing industry with installations and ongoing maintenance becoming more technically complex and challenging. We believe this is positive for Tekmar as we are using our engineering expertise to provide the industry leading solutions in our field, complementing our wider group strategy and offering. It can, however, also lead to extended timelines for securing contracts as clients assess the impact of technology transition and the changing value proposition from a product-led approach to a more holistic integrated solutions and services led approach. This continues to be a feature of the current market environment, with extended contract negotiation timeframes remaining a feature of our commercial discussions.

We are currently 18 months into a programme of business wide improvement initiatives in areas such as engineering discipline, project risk management, contract negotiations and sales effectiveness, disciplined cash management, supply chain strategy and operational excellence. These initiatives are all in support of our defined wider group strategy including to strengthen our integrated, engineering-led offering and gross margin stabilisation and improvement. In support of the business improvement programme, Tekmar is one of a select group of offshore wind supply chain companies currently being supported by the Offshore Wind Growth Partnership (OWGP) via their Sharing in Growth (SiG) business transformation programme. The SiG programme is aimed at promoting growth and profitability within the UK Offshore Wind Supply Chain through business excellence across a range of disciplines. As part of the business improvement strategy, we have strengthened the leadership team in line with our focus on establishing a stronger engineering culture across the business. The industry investments in our core markets provides significant forward opportunity for us and we will continue to look to strengthen the team to deliver on the strategic plan and on these exciting opportunities ahead.

We continue to work with industry partners to assess and address the issues relating to legacy cable installations installed at off-shore windfarms. As we have previously highlighted, the precise cause of the issues are not clear and could be as a result of a number of factors, such as the absence of a second layer of rock to stabilise the cables. Tekmar remains committed to working with relevant installers and operators, including directly with customers who have highlighted this issue, to investigate the root cause and assist with identifying potential remedial solutions. Whilst this consumes company resource and senior management attention, it is consistent with our responsible approach to supporting the industry to resolve these legacy issues.

In addition, we are embedding the industry learnings to support our superior technical offering for new installations alongside using our expertise and capability to support clients across the wider lifecycle of offshore wind projects, supporting our aim to diversify into the opex market.

We continue to focus on strengthening the balance sheet

As we manage the business through the transition period, a key priority for the Board remains balance sheet stability and cash. We completed the equity fundraise in March 2022 and, in addition, have implemented a number of internal steps to improve cash management. We updated shareholders in October 2022 on cash collection in the second half of FY22, with a net improvement in cash of over £2.0m compared to 31 March 2022. Post the period-end, the Group extended the maturity dates of its banking facilities, which includes a CBILs loan of £3.0m, currently available to 31 October 2023, and a trade loan facility of up to £4.0m that can be drawn against supplier payments. This facility is currently available to July 2023, aligning with the annual review date of the banking facilities.

Whilst the Group meets its day-to-day working capital requirements through the availability of these banking facilities, the Board recognises the material uncertainty which exists around the renewal of banking facilities and continues to consider that the Group would benefit from investment to provide additional balance sheet strength as well as supporting its opportunities for growth. Whilst discussions relating to the formal sale process and strategic review process remain ongoing, we continue with business as usual, prioritising the stability of the business through a focus on cash and a disciplined commercial approach, and offering our clients a superior and engineering led integrated offering.

Market overview

The global market for offshore wind, the Group's core market, continues to strengthen as energy markets are aligned to the commitment of the United Nation's global coalition for net-zero emissions by 2050. Most notably:

- Global capacity is forecast to reach over 268GW (installed or underway) by 2030, from a commissioned capacity of 55.4GW today, with current visibility of over 300 projects in development.^{(1), (2)}
- Considering growing energy security concerns triggered by Russia's invasion of Ukraine, the market's mid-term outlook could be revised upwards again.
- Over 45% of projects entering construction by 2032 is expected to be in the UK, US and China, markets where Tekmar is already active and well-positioned to benefit from future growth.⁽¹⁾
- The global operation and maintenance (O&M) market continues to scale up and is now expected to reach £11.8bn per year by 2030, offering significant growth potential for the Group.⁽¹⁾
- In the last six months, market expectations for the emerging floating wind market have grown to 14.1GW, installed or underway by 2030, and 63GW by 2035, driven by a requirement to cut carbon emissions and reduce dependency on Russian energy.⁽¹⁾

Adjacent offshore energy markets are strengthening, reflecting a stronger oil price.

Summary

FY22 represents a transitional year for the Group. Our second half performance highlights the operational improvements we are making are working as we stabilise the business. There is still work to do to complete the transition and our order book provides good visibility as the transition continues in 2023. We continue to prioritise the stability of the business through a focus on cash, a disciplined commercial approach and seeking to strengthen the Group's balance sheet. Our differentiated offering resonates with the industry and this puts us in a lead position as the market accelerates its investment in offshore wind through 2030.

In terms of outlook, we are encouraged that we continue to secure landmark contract awards at improved project margins and at lower execution risk. We remain cautious, however, in the near-term on the likely lead times for project awards and starts in the offshore wind market and we expect this is likely to suppress the volume required to restore profitability for the current financial year. We also recognise that it will take some time for improved contractual and commercial discipline to impact financial results, as the impact of existing legacy contracts diminishes over time. Taking these factors into account, and anticipated business mix for the current financial year, the Board's expectation is for the business to break even at an Adjusted EBITDA level for the current financial year. This is based on expected revenue for the current financial year to be in the region of £40m, of which approximately 70% is already secured. The Board expects the business to generate positive Adjusted EBITDA in FY24."

Alasdair MacDonald

CEO

14 March 2023

Sources:

- (1) 4C Offshore, Offshore Wind Farms Project Opportunity Pipeline Database, Version Q4 2022
- (2) 4C Offshore - Offshore Wind Farm Database (06-Apr-2021 to 12-Sep-2022)
- (3) MarketWatch – Brent Crude Oil Continuous Contract

CFO Review

Having joined Tekmar in June 2020, and having been appointed Interim CFO on 1 December 2022, it is my pleasure to present the Financial Review for the Group for the year ended 30 September 2022. I start by thanking Derek Bulmer, as my predecessor CFO, for his contribution in strengthening the business in support of our growth strategy.

A summary of the Group's financial performance is as follows:

	Audited 12M ended Sep -22 £m	Unaudited ⁽¹⁾ 12M ended Sep-21 £m	Audited ⁽¹⁾ 18M ended Sep-21 £m
Revenue	30.2	31.8	47.0
Gross Profit	7.0	6.5	11.2
Adjusted EBITDA ⁽²⁾	(2.1)	(2.9)	(2.1)
(LBT)	(5.2)	(5.5)	(5.8)
Adjusted EPS ⁽³⁾	(7.4p)	(10.8p)	(9.1p)

(1) Year ending 30 September 2021 was an 18 month period.

(2) Adjusted EBITDA is a key metric used by the Directors.

'Earnings before interest, tax, depreciation and amortisation' are adjusted for certain non-cash and exceptional items. Details of the adjustments can be found in the adjusted EBITDA section below.

(3) Adjusted EPS is a key metric used by the Directors and measures earnings after adjusting for non-recurring items. Earnings for EPS calculation are adjusted for share-based payments, £nil FY22 (£364k FY21) and amortisation on acquired intangibles £605k (£1,128k FY21).

On a statutory basis, the Group loss before tax was £5.2m (FY21: £5.8m loss).

Overview

The Group reported revenue of £30.2m for the 12-month reporting period, with an encouraging increase to £17.2m in revenue delivered in the second half from the £13.0m reported for the first half. The business has continued to be impacted by cost pressures driven by current volumes along with supply chain and logistics impacts from wider geopolitical events, in particular the Russia and Ukraine conflict. We have managed the impact of these pressures on our business with discipline and we continue to work hard as a team to drive margin improvement through our business improvement plans, including through our focus on improved contracting process, building a stronger team and enhanced contract execution and reporting.

The improved financial performance of the Group in the second half of FY22 is also reflected by the business reporting a £0.3m Adjusted EBITDA loss for H2 22, an improvement from the Adjusted EBITDA loss of £1.8m as reported for H1 22. In effect an increase in revenue over the 6 months of £4.2m saw an Adjusted EBITDA improvement of £1.5m, showing the benefit of operational gearing through scale and the work on margin improvement noted above. Nonetheless, we recognise that the industry continues to experience headwinds, so we remain cautious and alert to the challenges and opportunities ahead.

Revenue

Revenue by Division			
£m	Audited 12M FY22	Unaudited LTM ⁽¹⁾ FY21	Audited 18M FY21
Offshore Energy	17.4	21.9	33.8
Marine Civils	12.8	-	9.9
Total	30.2	31.8	47.0

(1) LTM – Last twelve months

Revenue by market			
£m	Audited 12M FY22	Unaudited LTM ⁽¹⁾ FY21	Audited 18M FY21
Offshore Wind	14.7	16.8	26.9
Other Offshore	15.5	15.0	20.1
Total	30.2	31.8	47.0

Offshore Energy, incorporating Tekmar Energy, Subsea Innovation, AgileTek and Ryder Geotechnical, all of which operate largely as a single unit, continued to be impacted by the lower volume of large-scale offshore wind projects in construction phase as this market continues to recover. Despite the lower revenue of £17.4m, compared to revenue of £21.9m for the last twelve months of FY21, this division saw an improved H2 22 revenue of £9.6m (H1 22: £7.8m) which was underpinned by revenues from Dogger Bank, which is set to become the world's largest offshore wind farm once fully operational. In addition, Vineyard Wind, a strategically important US windfarm project awarded during the year, has commenced through early stages and further revenues from China highlight the importance of our continued and growing international presence.

Marine Civils, comprising Pipeshield, saw revenue growth for the 12-month period at £12.8m compared with revenue of £9.9m for the previous 12-month period. The underlying growth in FY22 was driven by a contract of in excess of £10m, for the provision of pipeline support and protection materials for a major construction project in the Middle East, which was largely delivered in the financial year.

Gross profit

Gross profit by Division			
£m	Audited 12M FY22	Unaudited LTM ⁽¹⁾ FY21	Audited 18M FY21
Offshore Energy	4.4	4.4	8.2
Marine Civils	2.6	2.1	3.0
Total	7.0	6.5	11.2

(1) LTM – Last twelve months

Gross Profit by market			
£m	Audited 12M FY22	Unaudited LTM ⁽¹⁾ FY21	Audited 18M FY21
Offshore wind	4.2	4.8	8.9
Other offshore	4.4	3.3	5.0
Unallocated costs	(1.6)	(1.6)	(2.7)
Total	7.0	6.5	11.2

Despite the revenue for FY22 being £1.6m lower than the prior 12 months, the gross profit of £7.0m was an increase of £0.5m versus the prior 12 month period. As a result, the gross profit percentage of 23% achieved in FY22 was an improvement on the 20% achieved in the prior 12 month period.

Whilst this level of gross profit is lower than the pre-pandemic historical run rate, gross profit margin improvement has been and continues to be a key focus for the management team, across the project lifecycle from negotiation of initial contracting terms to improved project execution and stronger commercial management throughout the life of the projects. Coupled with volume returning to the Offshore Wind sector, this underpins our gross profit improvement plans which we continue to progress.

Within Offshore Energy, the gross profit margin increased to 25% (FY21 LTM: 20%). Offshore Energy continued to be particularly impacted due to lower volumes of sales as it carries fixed manufacturing costs of an annual equivalent of £2m. The gross profit margin within Marine Civils remained consistent with the prior 12 month period at 20%.

Operating expenses

Operating expenses for the 12-month period to 30 September 2022 were £11.6m compared to £11.9m for the equivalent 12-month period ending 30 September 2021. The reduction of £0.3m is due to cost cutting initiatives undertaken in FY22 which have a cost saving impact of £0.5m, which has been offset by one off costs of £0.2m in the year.

Adjusted EBITDA

Adjusted EBITDA is a primary measure used across the business to provide a consistent measure of trading performance. The adjustment to EBITDA removes certain non-cash and exceptional items to provide a key metric to the users of the financial statements as it represents a useful milestone that is reflective of the performance of the business resulting from movements in revenue, gross margin and the cash costs of the business. No adjustments have been made to calculate Adjusted EBITDA in the year ended 30 September 2022. For the 18-month period ended 30 September 2021, the adjustment included the removal of share-based payment charges relating to the IPO options and SIP schemes launched at IPO.

The £2.1m EBITDA loss for the 12 months ended 30 September 2022 was an improvement of £0.8m when compared to the £2.9m EBITDA loss for the 12 months to September 2021 and is a result of the increased gross profit as above.

H2 22 reported an increase in revenue of £4.2m versus the prior 6-month period and as a consequence of the resulting benefits of higher operational gearing and gross profit improvement achieved, a break-even EBITDA position was reached, an improvement of £1.76 when compared to the results of the previous two 6 month periods.

Adjusted EBITDA by 6 month period (Unaudited)					
£m	6m Sep-22	6m Mar-22	6m Sep-21	6m Mar-21	6m Sep-20
Revenue	17.2	13.0	17.9	13.9	15.2
EBITDA	(0.3)	(1.8)	(1.8)	(1.1)	0.8

As we await the volume to return in the offshore wind sector, the cost base and opportunities for increased efficiency across the Group will continue to be reviewed accordingly. However, management remain mindful this needs to be balanced with retaining capacity and key capability within the business to support the future growth in a recovering market.

Adjusted EBITDA by division £m			
£m	12M FY22	LTM ⁽¹⁾ FY21	18M FY21
Offshore Energy	(1.8)	(2.7)	(1.9)
Marine Civils	1.0	0.9	1.2
Group costs	(1.3)	(1.1)	(1.4)
Total	(2.1)	(2.9)	(2.1)

(1) LTM – Last twelve months

Adjusted items			
£000	12M FY22	LTM ⁽¹⁾ FY21	18M FY21
Share based payment charge	-	(805)	(364)
	-	(805)	(364)

Profit

The result after tax is a loss of £5.2m (FY21: Loss of £5.4m). The impacts of movements reported within EBITDA have been discussed above and account for £0.1m of the movement in the loss for the year. The remaining £0.1m relates to the net movements in amortisation, depreciation and interest charges.

Foreign currency

The Group has continued to see growth in international markets and, as a result, this growth increases the Group's exposure to fluctuations in foreign currency rates. During the year the Group benefitted from gains in foreign exchange of £0.2m. These gains have been accounted for within operating expenses. The Group mitigates exposure to fluctuations in foreign exchange rates through placing forward currency contracts. At the year end the Group held forward currency contracts to mitigate the risk of receivables balances for both Euros and Dollars. The Group predominately trades in pounds sterling with approximately 17% of revenue denominated in Euros and 23% denominated in US dollars. On certain overseas projects the Group is able to create a natural hedge by matching the currency of the supply chain to the contracting currency, this helps to mitigate the Group's exposure to foreign currency fluctuations.

Balance Sheet

Balance Sheet		
£m	FY22	FY21
Fixed Assets	5.9	5.7
Other non-current assets	24.6	25.3
Inventory	4.6	4.0
Trade & other receivables	13.4	18.0
Cash	8.5	3.5
Current liabilities	(16.9)	(12.5)
Other non-current liabilities	(0.8)	(3.7)
Equity	39.2	40.2

Fixed Assets

Fixed asset investments were largely in line with depreciation levels with an overall modest increase of £0.2m. There was no major capital expenditure project or disposal in the year.

Other non-current assets

Goodwill of £22.2m includes the goodwill arising on the original management buy-out of Tekmar Energy Limited in 2011 of £19.6m. The remaining balance relates to the acquisitions of Subsea Innovation during FY19 and Pipeshield during FY20. The reduction in other non-current assets in FY22 relates to the amortisation of intangible assets.

Trade and other receivables

Trade and other receivables fell to £13.4m (FY21: £18.0m) reflecting improvements in our contracting process and strengthening of the credit control function. Revenue in FY22 has been more evenly spread throughout the year with more favourable invoicing terms including upfront milestones on contracts leading to lower levels of trade receivables at the year end. Further to this, the Group has enhanced its cash collection controls and processes where I am pleased to see a lower level of aged debt of £2.2m in FY22 in comparison to £3.3m past due in FY21.

Cash

The gross cash balance at 30 September 2022 was £8.5m with net cash being £1.5m. The Group has extended its CBILs facility of £3.0m for a further 12 months to October 2023 and the trade loan facility of £4.0m, which is available until at least July 2023, aligning with the annual review date of the banking facilities. These facilities will continue to support the working capital requirements of the Group in delivering the type of contracts that it undertakes in this industry.

Significant focus has remained to stabilise the Group's balance sheet including a Firm Placing and Open Offer of new ordinary shares which completed in March 2022 which raised cash proceeds of £3.7m, net of expenses. Cash continues to be a major focus for the Group as we monitor and manage the working capital lifecycle across projects. We have strengthened much of the business systems surrounding contracting, project management and accounts receivable to drive greater transparency and integration amongst functions and established a dedicated credit control function.

The short to medium term business pipeline includes sizable Oil and Gas related projects, however, the availability of working capital funding and performance guarantee facility for fossil fuel related activity continues to be challenging. Therefore, the business may need to look to alternative sources of support whilst the wider transition to renewable energy sources takes place.

Current liabilities

Current liabilities rose by £4.6m to £17.1m (FY21: £12.5m). Within the FY22 balance of £16.9m, £4.0m relates to a Trade Loan Facility with Barclays Bank which is drawn against supplier payments and is repayable within 90 days of drawdown. The FY21 comparative is £3.0m. Current liabilities also includes the CBILS loan of £3.0m which was renewed post year end to October 2023. In FY21 the CBILs was classified as non-current.

Additionally, the balance at 30 September 2022 included £3.1m of deferred income against a comparative of £1.2m. The increase in deferred income is due to our improved contracting terms with customers. The above movements are offset by the decrease in trade payables of £1.7m from £5.8m in September 2021 to £4.1m in September 2022. This is driven primarily by the timing of project receipts at the year end.

Non-current liabilities

Other non-current liabilities of £0.8m at 30 September 2022 shows a reduction from 30 September 2021 balance of £3.7m. The main reason being 30 September 2021 included CBILs of £3m, which was due for renewal in October 2022 and therefore is included in current liabilities in the current financial year.

Summary

The results for FY22 present a financial performance which is in line with the planned transition period for the business, which will continue into FY23. These results have been delivered against the volatility in the global energy supply chain which has caused significant inflationary cost pressures against which the business has worked hard to mitigate.

The positive improvements underway in the business and the new regions and customers we are reaching reflects the commitment, capability and knowledge of our employees. I am proud of the progress made by the team in strengthening the business and building the foundations for growth underpinned by our strong culture and shared values. I very much look forward to the next phase and taking the Group back into profitability and sustained growth.

Leanne Wilkinson
Interim Chief Financial Officer
14 March 2023

Vision, Mission & Values

Our Vision

To enable the world's energy transition, reflecting our responsibility to future generations.

Our Mission

Collaborating with our stakeholders, we will deliver robust, sustainable technology and services utilising our talented and diverse team that will enable the Group to grow significantly and profitably.

Our Values

Work Together: We foster teamwork without boundaries, to ensure the best results are delivered in an environment where people feel empowered, safe, trusted, confident and inspired to develop.

Do Things Right: We take a united approach towards Safety, Quality and Delivery. We lead by example and constantly find ways to raise standards. We challenge the norm and have courage to stand up for what is right.

Break the boundaries: We collaborate with our customers and constantly look for ways to develop our technology and services to make today's impossible tomorrow's deliverable.

Strategic Review

Our Strategy is to Achieve a Doubling of Organic Revenue and Mid to High Teens EBITDA Margin Over the Medium Term

The world has a global challenge to achieve net zero carbon emissions by 2050. Offshore wind is fundamental to securing this energy transition, with an acceleration in the construction and operation of these power facilities, along with exponential growth in the associated Operations and Maintenance (O&M) market.

The Board have developed a strategy to deliver long-term shareholder value by being a key player in the industry response to these targets.

Our **AMBITION** is to:

Double Tekmar's revenue through organic growth and complement this growth through targeted M&A	Deliver a sustainable mid to high teens EBITDA margin in the later years of the plan	Reinforce Tekmar's industry leadership position as a trusted partner	Expand Tekmar's technical capability, its service and geographical reach to capitalise on expanding global offshore wind markets	Provide our people with the platform to drive success
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Our **VALUE PROPOSITION**:

- Superior global reach
- Solve customer's engineering challenges
- Optimise and de-risk projects
- Improve safety and lower project costs

Delivery of the strategy will see us capitalise on our market-leading position diversifying further into the Offshore Wind industry by disciplined investment in new technology and innovation.

KEY FOCUS AREAS within our growth strategy

01 ORGANIC GROWTH	02 SUSTAINABLE BUSINESS	03 ACQUISITION STRATEGY
Strengthen the core business	Deliver People strategy	Previous acquisitions now integrated for greater efficiency
Maintain and enhance market leading positions	Deliver ESG strategy	Proven synergistic benefits
Expand Tekmar's technical capability	Ongoing business improvement	Acquisition candidates will share a similar customer base and support diversification into new products, markets or regions
Diversify Tekmar's offering		

Diversification

To deliver the strategy we have identified five priority areas to diversify the business over the medium term:

1. Offshore Wind Technology Development – maintain market position and future proof our technology in our core market
2. Offshore Wind O&M – leverage existing customer relationships, our technology and our track record to expand into a growth market
3. Floating Offshore Wind Solutions – position Tekmar to benefit from the major contribution anticipated from floating offshore wind from c.2030
4. Grouting Division – build on existing strong solutions capability and market position
5. New Geographies – leverage existing customers and relevant track record to expand footprint into new markets and increase revenue generating opportunities

This diversification will give us increased involvement in all aspects of the project lifecycle, from feasibility studies, through engineering, manufacture, O&M and Life Extension activities.

During the year, we have identified the opportunity to accelerate our plans and therefore undertake a strategic review to seek a strong and relevant partner to support the opportunities for growth and provide additional balance sheet strength. The latter being extremely important given the size of contracts the Group could pursue and to also deliver the turnaround within the targeted timescales.

Fundamental to the delivery of our ambitions are the contribution our people make, along with the impact we have on the environment, our local communities and the wider world. To address we have developed specific strategies for **PEOPLE** and **ESG** which are detailed in our Sustainability Report.

Section 172 Statement

The Directors consider that they have acted in good faith in the way they consider would be most likely to promote the success of the company for the benefit of its members as a whole, having regard to decisions taken during the year ended 30 September 2022. This is a period of transition for the business and the focus on a Strategy Review covering the next five years will position the Group for success.

Particular attention has been paid to key areas to ensure sustainability:

- Liquidity
- Disciplined investment
- People development
- ESG strategy

The Group Strategy has been developed to have a long-term beneficial impact on the Group for both its shareholders and employees. The details were provided to shareholders in the Group's Capital Markets Day in July 2021 and can be found on our website. Since the Group's Capital Markets Day, the Group has reviewed its plans with the underlying strategy remaining unchanged.

In terms of our shareholders, it is important for the Board to maintain a good understanding of their interests, and keep shareholders informed regarding the strategy and objectives of the Group. The CEO and other Directors communicate regularly with shareholders and meet at least bi-annually, where practicable. The Board recognises its responsibility to act fairly between all shareholders of the Company and ensures up-to-date information is available on the Group Investor website (investors.tekmar.co.uk) and the Group business website (www.tekmargroup.com), the latter brings together the Group's portfolio of companies into one site, promoting a greater understanding of the breadth of our product and service offering, which supports the global offshore wind, oil and gas, interconnectors, telecommunications, marine civils, and wave and tidal sectors.

Our people are fundamental to the delivery of the strategy and we have developed a detailed People Strategy setting out the key areas of focus and deliverables over the next few years. In addition to providing the right training and development to our teams we will focus on diversity and inclusion as we grow, to ensure the

workplace represents the communities in which we thrive. More details are included in our Sustainability Report this year.

We regularly provide our people with information on matters of concern to them, consulting them regularly, so that their views can be factored in when making decisions that are likely to impact them. Employee involvement in the Group is encouraged, as achieving a shared awareness of the part that all employees play in the financial and economic factors affecting the Group plays a major role in its performance. We have a Business Integrity Policy that communicates the expected business behaviours of all employees and this policy incorporates guidance on employee's responsibilities should they become aware of inappropriate business behaviours or any similar concern.

Apart from its shareholders and employees, the Group's main stakeholders are customers and suppliers. The Group has several contracts with customers that relate to longer term technology development and supply. The Group has a dedicated Legal function that operates with the Group's commercial, project and production teams and those of the Group's key customers and suppliers.

As the Board of Directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance and in doing so, will contribute to the delivery of the plan. We adhere to the QCA Code and set out how we apply the ten governance principles in our Corporate Governance Statement, included in this report and on our website.

Market Review

The world has changed significantly in the last 12 months. We are amid an energy crisis driven by surging energy prices, post-pandemic inflation and a war in Ukraine. Countries now face the challenge of ensuring secure energy supplies whilst still meeting their carbon reduction targets. As a result, the Offshore Energy and Marine Civils markets are buoyant with an upward trend supporting our growth plan and ambition.

Offshore Wind

Offshore wind is now considered a solution to energy security and affordability, not just climate change. This is reflected in the rapid expansion of offshore wind ambitions, with governments around the world setting offshore wind targets for the first time or increasing existing targets in response to the energy crisis.

In the second quarter of 2022, Europe released the REPowerEU plan to rapidly reduce dependence on Russian fossil fuels before 2030 and fast forward its green transition. The plan is set to increase the EU's 2030 renewable target from 40% to 45%, of which offshore wind will play a significant role ⁽¹⁾.

Denmark, Belgium, Germany and the Netherlands signed the "Esbjerg Declaration", committing them to new targets for offshore wind generation. The declaration aims to more than double the total capacity of offshore wind to at least 150 GW by 2050. This will deliver more than half of the capacity needed to reach EU climate neutrality ⁽²⁾.

The UK Government has doubled down on offshore wind with its latest energy strategy increasing capacity targets from 40GW to 50GW by 2030. An Offshore Wind Acceleration Task Force has also been set up in the UK to help deliver the additional capacity by streamlining the planning and permitting process and introducing fast tracks for consenting ⁽³⁾.

In the US, landmark federal policy, record investments, and new state-level action have led the US offshore wind industry to increase its long-term offshore wind targets by 58%. This underpins the beginnings of a National Offshore Wind Industrial Strategy and puts the US in a position to achieve its goal of 30GW by 2030 ⁽⁴⁾.

Tekmar benefits from an unrivaled track record in the US and our partnership with US-based subsea buoyancy manufacturer, Deepwater Buoyancy, which further improves the Group's access to the region.

Market momentum is building around the rest of the world, with countries such as China, South Korea, Vietnam, India, and Brazil committed to ambitious targets, whilst Australia has designated its first six offshore wind development zones off the State of Victoria ⁽⁵⁾. These newer markets will be looking to the more mature markets for skills and expertise presenting significant opportunity for the Group.

Global Offshore Wind Outlook

The global offshore wind outlook to 2030 shows credible growth of an additional 200GW by 2030, with a CAGR of 15.5%, taking the total global offshore activity (operational and underway) to over 250GW by the end of 2030 ⁽⁶⁾.

At the time of writing, 26GW of global capacity is either under construction or subject to FID ("Financial Investment Decision"). Emergent growth is expected to be strongest in China, US, Germany, UK, and The Netherlands ⁽⁷⁾.

China has installed 24GW of capacity, almost equaling Europe ⁽⁵⁾, and has the most under construction (5.6GW), followed by the UK (2.8GW). Tekmar benefits from an early move into China, having established an office and manufacturing capability in Shanghai resulting in a strong track record in the region.

Our presence in Asia extends to Taiwan, South Korea, and Japan, where Tekmar has supplied CPS or engineering services to these country's first wind farms. We are well prepared to support Asia in the future, including embryonic markets such as Vietnam and the Philippines.

Operations & Maintenance (O&M)

The offshore wind O&M market continues to accelerate as the offshore wind market matures and more assets are installed.

The overall scale of the global market is valued at €13bn per year by 2030. The UK market alone is valued at €1.9bn per year by 2030⁽⁷⁾. Europe remains the biggest O&M market by region, with expanding markets in Asia and US.

The growth in O&M provides a significant opportunity for Tekmar to grow in this OPEX market by deploying our complementary technologies and leveraging existing customer relationships to support their asset management during the project's operational phase. Securing a larger section of this market is a key part of our strategy going forward.

Floating Offshore Wind

The total worldwide pipeline of planned floating wind projects has more than doubled in the past 12 months, from 91GW to 185GW in terms of capacity⁽⁸⁾.

The floating market is expected to grow at a commercial scale from 2026 onwards. It is supported by ambitious government growth targets and high supply and demand activities as countries look to increase domestic energy output, reduce energy imports, and cut carbon emissions.

107GW (58%) of floating capacity is being developed in Europe. 33.3GW (18%) of the global floating portfolio is in the UK, of which 29GW is in Scottish waters. Outside Europe, leasing areas off the west coast of the USA, project proposals off the south east coast of Australia, and South Korea make up most of the rest of the capacity. By the end of 2030, floating wind capacity could reach 11GW in the UK, 30GW in Europe and 41GW globally⁽⁸⁾.

The floating market has parallels with the fixed-bottom market, where Tekmar enjoys strong relationships with key operators and installers and has a solid global track record. We are active in all the regions' where floating wind is happening and have already supported eight floating wind projects in Europe, Asia, and the US. We are positioned to benefit from this exciting market.

Other offshore

Upstream oil and gas still dominate the energy landscape⁽⁷⁾ and the energy crisis highlights the world's ongoing need for large volumes of fossil fuels.

Offshore oil and gas markets are enjoying a flurry of investment following a strong recovery of the Brent spot price and Covid easing. Markets are also set for robust growth as countries increase output to counter supply issues, high energy costs and dependency on Russian fossil fuels.

We see a sustained upcycle in the offshore EPC (Engineering, Procurement and Construction) forecast through 2022-26, with EPC spending expected to total \$276bn. This is a 71% increase compared to the preceding five-year period⁽⁹⁾. An upward market trend for subsea CAPEX spending is also expected, an area in which Tekmar Group is active and will benefit from the growth opportunity.

A concern in the energy markets is that the ongoing energy crisis will derail the energy transition, but data suggest that spending on green energy will still grow faster than on fossil fuels⁽¹⁰⁾. Subsea markets are committed to the transition. We see our subsea customers in the offshore renewable market and a significant presence of several large European oil and gas companies investing in floating offshore wind. The subsea markets will provide balanced growth for Tekmar in fossil fuels and carbon reduction.

Market Fundamentals

- Energy crisis increasing global demand for offshore energy
- Healthy upward trend and outlook across all markets
- Vigorous political support and substantial investment across all markets
- Acceleration in fixed and floating wind activity
- Steady growth and sizeable opportunity in O&M
- Resurgence of the oil and gas market
- Energy transition still top of the agenda

Source:

- (1) [REPowerEU Plan, European Commission](#)
- (2) [The Esberg Declaration, European Policy Solutions](#)
- (3) [UK Energy Strategy, Wind Europe](#)
- (4) [The US sees a 60% increase in offshore wind long-term target, Business Network Offshore Wind](#)
- (5) [GWEC Global Offshore Wind Report 2022](#)
- (6) [4C Offshore, Global Market Overview, Q3 2022](#)
- (7) [4C Offshore POP Database, September 2022](#)
- (8) [Offshore Wind, EnergyPulse, Renewable UK, October 2022](#)
- (9) [Westwood Energy Insight](#)
- (10) [O&G to catapult global energy spending in 2022, Rystad, Offshore Energy](#)

Our Business Model

Tekmar Group plc collaborates with its partners to deliver robust and sustainable engineering led solutions that enable the world's energy transition. We have a clear strategy focused on strengthening Tekmar's value proposition as an engineering solutions-led business that offers integrated and differentiated technology, services and products to our global customer base.

Group revenues are divided into the following sectors and subsectors. Across the Group there are no customers that are unique to any one business. There is potential for all Group companies to work with all customers that the Group engages, allowing the Group to cross-sell all products and services; work together to provide value to the same clients, provide more revenue per client and to provide a complementary range of technology and services that support multiple stages of the project life cycle.

As the business grows, our goal is to increase the revenue per project from all stages of offshore energy and marine civils projects. We also have an aim to gain visibility on upcoming projects as early as possible, with our design and analysis businesses helping us achieve this.

Group Revenue split:

Offshore Energy 58%, Marine Civils 42%

Revenue split by product:

39% Cable Protection Systems (TekLink), 4% Back Deck Equipment, 41% Marine Civils, 5% Hang-offs, 4% O&M, 6% Engineering, 1% Other.

Revenue split by market:

49% Renewables (£14.8m), 51% other offshore (£15.4m).

(The Group operates within two operating segments in accordance with IFRS8. We also track markets and areas which our businesses operate in).

Revenue split by region:

46% EU, 16% APAC, 32% ME, 6% Rest of world

Sectors: Offshore Wind, Oil & Gas, Interconnectors, Wave & Tidal, Marine Civils, Telecoms

Applications: Subsea Cables, Rigid & Flexible Pipelines, Umbilicals, Seabed, Vessel Back Deck, Structures.

Customers: Developers & Operators, EPCI Contractors, Product & Service Providers

Project Phases: DEVEX Development Expenditure, CAPEX Project Build Phase, OPEX Project O&M.

Product Categories: Geotechnical Design & Analysis, Engineering Analysis & Software Innovation, Bespoke Equipment Design & Build, Subsea Protection Technology, Subsea Stability and Protection Solutions.

Locations include:

UK, Europe, Middle East and Asia Pacific.

Our Business Model in Action

Consolidation in the Middle East

Tekmar Group plc has begun to consolidate its position as a leading provider of subsea protection and stabilisation products to the Middle East's subsea markets. Building on our extensive regional experience, with thousands of Pipeshield's and Tekmar Energy's products installed on offshore projects in the UAE, Qatar, Saudi Arabia, and Bahrain, we continue to nurture our local manufacturing and supply chain capability and bridge new relationships to secure and deliver new contracts.

The Middle East accounted for 32% of revenue during FY22, an increase of 15% percentage points, on the previous year. During the financial period and more recently, Tekmar Group secured several major project awards to design, manufacture and supply subsea protection and support products in the Middle East, most notably for the prestigious Marjan Field Expansion Project in Saudi Arabia and North Field Expansion Project in Qatar. Amongst the awards was the Group's largest valued contract to date. The contracts further consolidate our position in the region and create a basis for further expansion in the Middle East, supporting our growth strategy.

Our success in the Middle East comes from our ability to deliver global expertise locally. We have established strategic partnerships with local manufacturers who are highly regarded in their area of operation and understand their local markets. By combining our expertise, we can manufacture and supply a range of Group products and services in-country from several strategic supply bases in Abu Dhabi and Dubai (UAE), Dammam (Saudi Arabia), Doha (Qatar) and Manama (Bahrain).

We have personnel working alongside our strategic partners who share a like-minded approach to ensure high quality and on-time delivery by doing things right. Our strategic partnerships are sustainable, providing local employment opportunities and supporting domestic supply chains. This optimises project delivery as manufacturing close to the work site reduces logistics, time, and overall cost, ensuring customer deadlines and expectations are met.

Additionally, we have established legal entities in Saudi Arabia and the UAE, where we are accredited as a preferred supplier to their offshore energy markets. We continue to develop relationships with leading EPCI (Engineering, Procurement, Construction, and Installation) contractors in the region and are disturbing the status quo by unseating established competitors in the area.

The Middle East is investing heavily in its subsea industries, with over \$14bn CAPEX committed for procurement and installation of subsea components (pipelines, umbilicals, power cables, etc.) to 2026. The UAE, Saudi Arabia, and Qatar, Tekmar Group's key markets in the region, account for most of the CAPEX spending.

With Europe's growing need for energy security, and a strong market outlook, we are confident that the market sentiment for the Middle East will remain positive. We are committed to building on our success in the region.

Working together in Offshore Wind

Tekmar Group plc is a leading provider of cable protection systems (CPS) for the global offshore wind markets. Our ability to deliver holistic subsea cable protection solutions that overcome challenging offshore environments sets the company apart. We achieve this by combining our comprehensive in-house technology offering with our unrivalled industry track record of over 100 offshore wind projects to make informed engineering-led decisions based on simulation, analysis, and experience.

For example, Tekmar Energy, part of Tekmar Group plc, was awarded a contract to design, manufacture, and deliver a subsea cable protection solution for one of the world's largest offshore wind farms. The CPS was required to protect the wind farm's inter-array cables when transitioning from the seabed to the offshore foundations. This project was characterised by challenging subsea conditions; therefore, a solution was also needed to secure

the CPS/cable on the seabed to restrict movement and avoid damage. This solution could only be achieved through an integrated approach to the engineering design phase within the overall project life cycle.

Working alongside Group companies AgileTek Engineering and Subsea Innovation, Tekmar Energy established a CPS design premise and a basis for analysis aligned to the project specification and conditions. A system was subsequently designed by Tekmar Energy and Subsea Innovation's integrated engineering team based on the company's Generation 10 TekTube CPS technology.

Following the initial design stage, AgileTek combined traditional engineering principles with cutting-edge software to simulate how the CPS would behave in the offshore environment and verified that the system was fit for purpose. Tekmar Energy used the findings to optimise the CPS.

Tekmar Group company, Ryder Geotechnical, proposed installing a rock berm over each CPS to secure them on the seabed and restrict movement. Ryder applied its geotechnical expertise with Tekmar Energy's industry experience to demonstrate to the customer that, whilst not necessarily the easiest or cheapest; it was the right solution. Ryder used advanced geotechnical engineering software to design and optimise a stabilisation solution that resulted in the minimum possible volume of rock berm material, thus significantly reducing initial CAPEX costs.

The CPS was manufactured at Tekmar Energy's state-of-the-art manufacturing facility in the North East of England. Before commencing production of over 2,300 components, Tekmar Energy created a sample of each component section and subjected them to impact, bend and axial load tests to confirm they performed as expected. Pull-in tests were also performed using the facility's full-scale pull-in rig and a fully assembled 30-metre-long CPS. Factory acceptance tests (FAT) were performed on all pre-assembled CPS sections before packing and delivering to the customer.

The end solution consisted of a robust cable protection solution engineered to meet specific site conditions. The solution was designed for maintenance-free intervention, eliminating associated OPEX costs throughout the wind farm's life.

The Group's integrated approach provides complete visibility across the CPS design and delivery cycle. This significantly improves our ability to problem solve, react, and identify optimisation opportunities throughout the process, resulting in the optimum solution for the customer. This integrated approach offers customers a single project interface which removes third-party miscommunication and delays to the decision-making process.

Our operating companies share a single understanding, vision, and overall objective.

Global Expansion

A key aspect of Tekmar Group's growth strategy is to expand the company's geographical reach to capitalise on the expanding global offshore wind markets.

During FY22, Tekmar secured landmark offshore wind projects in the US and Japan, two emerging markets presenting ample growth opportunities for the Group. The rapidly expanding US market is set to become one of the largest offshore wind markets in the world, with a target of 30GW of offshore wind capacity installed or underway by 2030. Whilst still in its infancy, the Japanese offshore wind market is targeting 14.3GW of offshore wind capacity by 2035, with 6.6GW of capacity installed or underway by 2030.

Tekmar Group has been active in the US offshore wind market from the beginning, participating in many of the country's offshore wind projects. In 2015, Tekmar secured its first US contract to supply CPS for Block Island Offshore Wind Farm, the first commercial-scale offshore wind project in the US.

In 2020 Tekmar Group was awarded contracts to provide services and technologies for the Coastal Virginia Offshore Wind Project (CVOW). CVOW was the first utility-scale offshore wind farm in US federal waters and helped determine the best practices for future offshore wind projects on the East Coast.

CVOW demonstrated Tekmar Group's integrated approach to subsea power cable protection, with Ryder, AgileTek, Tekmar Energy and Pipesield supporting multiple stages of the offshore project. Ryder performed a Cable Burial Risk Assessment (CBRA) during the project's design stage. Tekmar Energy supplied CPS, AgileTek performed product design verification analysis, and Pipesield provided concrete mattresses.

In 2022 Tekmar Group secured a landmark contract to provide an integrated engineering solution for a large offshore wind farm in the US. The contract represents an important milestone in expanding our regional position.

Tekmar Group partnered with US-based subsea buoyancy manufacturer Deepwater Buoyancy to strengthen our regional presence. The partnership improves access to the US market, increases our local knowledge and provides potential state-side manufacturing capability for the future.

Tekmar Group has also strategically positioned itself in Japan from its offshore wind markets' early development stage. In 2020 Tekmar Group secured its first major CPS supply contract from Sumitomo Electric for the Akita and Noshiro offshore wind farms. The wind farms were Japan's first utility-scale offshore wind projects and marked a significant milestone for the country. Building on the back of this success, Tekmar secured its second significant CPS supply contract in Japan for an undisclosed offshore wind farm in June 2022.

Local representation was established in Japan in 2022 to help the Group maintain a market-leading position and help secure future project awards. Our local representation is crucial in helping us navigate Japan's business culture, develop our market knowledge, and build relationships with key market players.

We look forward to supporting these growing offshore wind markets and other emerging markets in Europe, Asia, and North America.

Key Performance Indicators

KPI	FY20 ⁽⁷⁾	FY21 ⁽⁸⁾	FY22
Enquiry Book ⁽¹⁾	£224m	£327m	£370m
Order Book ⁽²⁾	£10.0m	£9.7m	£15.6m
Revenue ⁽³⁾	£40.9m	£47.0m	£36.1m
Order Intake ⁽⁴⁾	£43.7m	£46.4m	£33.3m
Book to Bill ⁽⁵⁾	1.07	0.99	1.2
Adjusted EBITDA ⁽⁶⁾	£4.7m	£(2.1)m	£(2.1)m
Market Measures			
OWF Outlook GW	216	244	268
Oil Price \$/bbl	\$22.7	\$75	\$85

(1) Enquiry book comprises all active lines of enquiry within the Tekmar Group. Expected revenue recognition within 3 years.

(2) Order Book is defined as signed and committed contracts with clients.

(3) Revenue is the value of sales recognised in the financial statements in the year (18m period for FY21).

(4) Order intake is the value of contracts awarded in the in the year (18m period for FY21).

(5) Book to Bill is the ratio of order intake to revenue.

(6) Adjusted Earnings before interest, tax, depreciation, amortisation and exceptional items, as defined in CFO review (18m period for FY21).

(7) The FY20 accounting period is the 12 months ending 31 March 2020.

(8) FY21 accounting period is the 18 months ending 30 September 2021.

Sustainability Report

We are focused on growing the business and ensuring this is done in a sustainable way. Our Strategic Review is underpinned by two key components, our ESG Strategy and our People Strategy, which set out our goals in these areas. We continue to recognise that in showing respect for our people, the community and the environment we are establishing a strong foundation for our growth ambitions.

Transitioning Forward

As a key player in the renewables sector, it is crucial that we lead the way to a more sustainable future. Taking responsibility for the reduction of our direct greenhouse gas emissions is a vital first step in achieving a carbon neutral Tekmar.

As part of a wider and continued commitment to reducing our environmental impact and playing our part in the urgent challenge that is climate change, Tekmar is committed to the development of a transition plan to carbon neutrality.

This plan will utilise a variety of strategies to help us achieve an ambitious goal, with a target date for neutral scope one (direct greenhouse gas) emissions by 2030. This will include feasibility assessments for onsite power generation and the continued development of our people policies to encourage more sustainable behaviour amongst our employees.

Working closely with our supply chain will also be a crucial part of this plan as we look further into the future, tackling our scope two and three emissions.

We are committed to publishing an ambitious but achievable transition plan, doing our part to protect our planet for generations to come.

ESG Strategy

By implementing our formalised ESG Strategy, which is aligned to the UN Sustainable Development Goals (UN SDG's), we continue to work towards our goal to make sustainability a natural part of everything we do.

Our ESG Strategy is implemented by our ESG Committee with the support of employee representatives from all businesses across the Group.

We have made significant progress in implementing our action plan for those areas we can positively impact, whilst continuing to identify many areas where we are already achieving results. Our action plan is organised under the 'four pillars' recommended by the World Economic Forum and International Business Council in their 'Stakeholder Capitalism Metrics' project to align corporate values and strategies with the UN SDG's, being:

- Principles of Governance
- Planet
- People
- Prosperity

The ESG Committee is split into three sub-groups (Environment, Social and Governance). The Committee meets monthly to discuss and plan ESG initiatives that link to our sustainable development goals.

Tekmar Group ESG Committee

Chaired by **Leanne Wilkinson**
Interim CFO

Tekmar Group ESG Committee Sub-Groups

Environment

Led by **Lewis Barnes**
Supply Chain Manager, TEL

- Climate change and greenhouse gas emissions
- Emissions to air, water and land, pollution and waste
- Biodiversity, deforestation and land use
- Energy efficiency
- Resource depletion (Including water)

Social

Led by **Chloe Ainsworth**
Head of People, TGP

- Human rights (including modern slavery and child labour)
- Health and safety
- Diversity and Inclusion (D&I) and equal pay
- Conflict zones and conflict minerals
- Stakeholder and community engagement

Governance

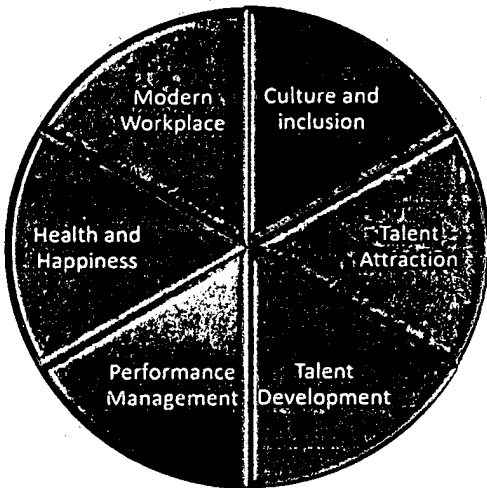
Led by **Jim Yare**
Group Assistant Legal Counsel

- Bribery and corruption
- Executive pay
- Board independence, diversity and structure
- Conflicts of interest
- Anti-money laundering

Our ESG Strategy and our internal processes are regularly reviewed to ensure our people think about the environmental, social and financial impacts of their decisions.

People Strategy

Our 2023 People Strategy is centred around 6 pillars of People Experience. Naturally, many of the ESG actions will help tackle or contribute towards our pillars, and vice versa.



As we focus on the continuous development of our people and culture, we identified six key areas of activity and structured a 3 year plan to deliver this. This is underpinned by implementing Business Partnering relationships across Tekmar Group plc, and delivering the People Strategy which focuses on both core HR improvements alongside key HR projects delivery.

Our 2023 Hive Engagement Survey will help drive the areas of focus for both Tekmar Group and each entity. The survey collects anonymous responses from all employees across the business and is collated into action plans to drive positive change and improvements.

Our goal is to create a culture where our people thrive and our performance excels in a collaborative and trusting environment, underpinned by our core values; Do Things Right, Break the Boundaries and Work Together. We support and encourage autonomy, accountability and leadership in order to attract and retain the best talent in our industry. Through continuous development and investment in our people's minds and wellbeing, our high performing culture will drive innovation, diversity and engagement.

We are collaborating with Sharing in Growth (SIG) through a programme funded by the Offshore Wind Growth Partnership, targeting productivity improvements for the UK offshore wind supply chain. The SIG team are working with our senior team to drive our strategic execution plan, shape our culture and achieve global growth plans. We believe this programme will increase the team's ability to respond rapidly and navigate the changing needs of the offshore wind sector.

This supports the work we are doing internally to simplify our structure and develop more effective processes to improve productivity, encourage accountability and improve decision making and communication.

Local Communities

We support local communities across our many locations, predominantly in the UK. Where possible we procure products and services locally with a view to supporting supply chains and sustaining employment in each region. Our employees are supported to engage with local community projects and initiatives that have a positive impact on the areas we work in. This shall be further developed and supported into 2023.

We also support our local communities from a STEM learning and talent perspective. It is our goal to educate the young minds in our local areas of the opportunities that exist within our industry. We recently hosted a careers talk at a specialist STEM college in County Durham, and plan to extend these visits to across the UK. We have also sponsored STEM events and participated as judges in STEM competitions.

This year, in conjunction with our customer for the Dogger Bank Project, we participated in World Clean Up day whereby production time was given up to volunteer to litter pick in our local area.

Customers and Suppliers

We follow a customer-led strategy with regards to expansion into international markets and are a trusted partner of energy majors, developers, operators, marine contractors, and subsea asset manufacturers around the world. We have expanded our export activities and have the support of UK Export Finance to provide working capital and bonds in this area. We have developed positive, long-standing relationships with customers and suppliers over many years to ensure we deliver the best solutions. We listen to and learn from our customers and engage with them so that we can identify and help solve their problems. We are committed to ensuring that legal compliance, respect for human rights and transparent business ethics are cemented both up and down our supply chain.

Safety

We endeavour to create a safe workplace for our people and all those that we work with. We have a safety-first policy, ensuring that everyone takes equal responsibility and ownership for their own and others safety. We pride ourselves on our transparent and honest reporting culture through which we aim to achieve a 'zero' Lost Time Incident goal. Health and Safety forms part of monthly reporting in Board and Executive meetings with accelerated action plans and KPIs analysed and monitored.

This year, Tekmar Group company Tekmar Energy Limited celebrated 5 years Lost Time Incident free, demonstrating our commitment to a safe workplace.

Good business conduct

We do not permit bribery, nor illegal or corrupt business practices in any form. We have an established Business Integrity Policy and compliance programme which has the support of the Board and Senior Management within the Group. The programme incorporates communication of the policy, training, risk assessments, monitoring and review processes. Adherence to the policy is mandatory for all employees and relevant contractors, and those assessed to be at heightened risk are required to complete detailed training on an annual basis.

Respect for Human Rights

We maintain work practices and policies throughout the Group which are engineered to ensure that respect for human rights is engrained in the fabric of our businesses. We do not tolerate the use of child or forced labour within our business and take all reasonable steps to ensure that our suppliers and customers also adhere to internationally recognised human rights.

Educate and reiterate

Our Modern Slavery statement outlines the steps we take to ensure that there is transparency across the Group and throughout our supply chain. We encourage any concerns relating to modern slavery to be raised using the procedure set out in our whistleblowing policy.

We have rolled out Tekmar Group e-learning modules on Equality, Diversity and Inclusion, Bullying and Harassment and GDPR. The purpose of these modules is to educate our people on these important topics and to promote a positive culture free from these issues.

Supply Chain

We are committed to supporting the supply chains in which we operate. We are members of several trade bodies who promote industry awareness, opportunities, and share best practise and lessons learnt. Our memberships include, but are not limited to: RenewableUK, NOF, EnergiCoast, SubseaUK, Wind Europe and Asia Wind Energy Association.

ISO Standards

Within Tekmar, our businesses are accredited to all the required international standards. These include, but are not limited to ISO 45001:2018, ISO 14001:2015, ISO 9001:2015, ISO/TS 29001:2010.

Principal Risks and uncertainties

The principal risks and uncertainties of the group are disclosed on [page 42].

This Strategic Report was approved by order of the Board.

Alasdair Macdonald

Alasdair Macdonald
Chief Executive Officer
14 March 2023

Governance

Message from the Chairman

We have developed our corporate governance processes in line with practices appropriate to the size of the Group to ensure good business conduct and culture. We seek to drive the right values and behaviours throughout the Group and ensure the Board remains visible and accountable.

Our corporate governance covers the way that we behave with each other and how we interact with our wider stakeholders – including customers, suppliers, shareholders, employees and the communities around us. We have provided more detail on these areas in our Sustainability Report and in other areas of this report. We strive to create a culture at Tekmar based on the highest ethical standards as this is fundamental to the Group's success. The Directors acknowledge the value of high standards of corporate governance and adopt and comply with the QCA Corporate Governance Code which is an effective and flexible governance model for the Group. Our Corporate Governance Statement (overleaf and on our website) provides more detail.

In delivering our strategic growth ambitions it is important that the Board composition provides a balance of experience and healthy challenge to the Executive team. I believe that the different experiences and backgrounds of the Board brings a suitable range of skills in light of the Group's challenges and opportunities. At the same time, the composition of the Board ensures that no individual (or a small group of individuals) can dominate the Board's decision-making. The Board meets regularly to formulate, approve and review progress against the Group's strategy, budgets, corporate actions and goals.

The Board delegates some duties and responsibilities to representative committees, Audit, Remuneration and Nomination, each having agreed terms of reference and a process for making recommendations to the Board. Details of the activities for each of the committees are included in this governance section of the Annual Report. The Executive Team have the appropriate delegated authorities from the Board to ensure the right decision-making takes place across the business and that the right controls are embedded into these processes. They are responsible for the day-to-day management of the Group and driving the execution of our strategy.

This next section of the Annual Report covers our corporate governance and how it operates for the Group. I hope it provides the detail you require and am always happy to receive feedback from our stakeholders in this regard.

Julian Brown
Non-Executive Chairman
14 March 2023

Corporate Governance Statement

The Board are focussed on effective and entrepreneurial decision-making to ensure the long-term sustainable success of the Group, generating value for shareholders whilst managing risk. We adhere to the QCA Code in support of this and demonstrate our commitment to all stakeholders, including shareholders, with a description of how we apply the ten governance principles is provided below.

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

The Board have developed a clear strategy for delivering long-term shareholder value. Our ambition is to:

- Double Tekmar's revenue within 5 years through organic growth and complement this growth through targeted M&A
- Deliver a sustainable mid to high teens EBITDA margin in the later years of the 5-year plan
- Reinforce Tekmar's industry leadership position as a trusted partner
- Expand Tekmar's technical capability, its service and geographical reach to capitalise on expanding global offshore wind markets
- Provide our people with the platform to drive success

The key focus areas within our growth strategy:

- Organic Growth – strengthen our core business and expand our technical capability to allow us to maintain and enhance our market leading positions
- Sustainable business – target ongoing business improvement, underpinned by our People Strategy and our ESG Strategy
- Acquisition Strategy – benefiting from the synergies of the wider group and will target businesses that share a similar customer base and can support diversification into new products, markets or regions

We have identified incremental investments to support growth and will ensure the plan is self-funded where possible, to protect the business and shareholder interests. We will manage risk closely to limit any potential adverse effects in the implementation of our strategy. We do this by ensuring that we have a framework in place to identify and monitor risk and uncertainty in line with our business risk assessment procedures.

Principle 2. Seek to understand and meet shareholder needs and expectations

We are dedicated to communicating openly with shareholders to ensure that our strategy, business model and performance are clearly understood.

Understanding what analysts and investors think about us, including the factors which drive their investment decisions towards us, and helping our stakeholders understand our business, is a key component in driving our business forward.

Maintaining regular and positive engagement with shareholders is a priority. Our primary methods of communication are through the Annual Report; interim and full-year results announcements; the Annual General Meeting and other information shared on the Group's investor website. Where possible, we will continue to carry out investor roadshows at significant times throughout the year, attend investor conferences and host investors for site visits. Always adhering to the latest government guidance on COVID-19 restrictions means a significant amount of this activity has moved online and we will continue to monitor the best practices and guidance.

If and when voting decisions at AGMs or General Meetings deviate from the Company's expectations, the Board will communicate with shareholders to understand and address any issues informing those decisions.

Requests for information on any of these matters, including details of investor days, can be made to investors@tekmar.co.uk. Note: no unpublished price sensitive information will be provided by this email address. All Tekmar Group plc communications will align and accord with official AIM guidelines.

Principle 3. Take into account wider stakeholder and social responsibilities, and implications for longer term success

The Board strives to create a socially and ethically responsible business and has developed an ESG Strategy to formalise our alignment to the UN Sustainable Development Goals. The Executive Team maintain oversight over the delivery of this strategy going forward including delivery against targeted improvements.

The Board appreciates the need to maintain effective working relationships across a wide range of stakeholders, including investors, employees, partners and local communities. Our ESG Strategy will continue to evolve as we respond to feedback from our wider stakeholders and actions taken as a result seen as an essential part of ensuring long term success.

Our operational processes are also externally audited and reflected by the ISO accreditations within our subsidiary businesses. Our commitment to these areas is shown through their inclusion in our annual strategic planning process, including a SWOT analysis, and thus they are embedded into the Group's strategy and business model.

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

The Board has overall responsibility for the determination of the Group's risk management objectives and policies, as well as the Group's risk appetite. This risk management is included in and reviewed as part of our annual business plan and Strategic Review. Operating in the offshore energy sector, managing risk is fundamental to our everyday responsibilities and our policies, procedures and behaviours are continuously reviewed to ensure these are appropriate.

The Board aims to set policies that provide a balance between reducing risk as far as possible, without unduly impacting the Group's competitiveness and flexibility. The Board believes this helps to sustain stakeholder value; including the Group's supply chain through to the end-customer; while also protecting the Group's established corporate culture.

A breakdown of the Company's key risk factors can be found in the Risk Management report. Risk management, including financial and non-financial controls; what the Board does to identify, assess and manage risk and how it obtains assurance that our risk management and control systems are operating effectively, is covered by the Group's business risk assessment procedures.

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

The Directors recognise the importance of high standards of corporate governance and believe the QCA Code provides the most appropriate guidance for the Group by setting out a standard best practice for small and mid-size quoted companies, particularly those listed on AIM. The Chairman maintains overall responsibility for ensuring the Group's compliance with the QCA Code. The Non-Executive Directors share responsibility for the effective running of the Board's committees which comprise an important element of the governance process.

In line with QCA guidance, three of the Non-Executive Directors, one of whom is the Chairman, are independent. The Non-Executive Directors of the Board have been selected with the desire to increase the breadth of skills and experience of the Board and bring constructive challenge to the Executive Directors.

The Company Directors are:

- Julian Brown, Independent Non-Executive Chairman
- David Wilkinson, Senior Independent Non-Executive Director
- Ian Ritchey, Independent Non-Executive Director

- Alasdair MacDonald, Chief Executive Officer
- Derek Bulmer, Non-Executive Director

The Group has determined that the composition of the Board and its committees brings a desirable portfolio of skills, personal qualities and experience for delivering our strategy, based upon the size and nature of the business.

All Directors are subject to re-election by shareholders at the Annual General Meeting within a three-year period of their appointment. Any Directors appointed during the financial year must be formally elected at the Annual General Meeting following their appointment.

It is considered that the composition of the Board is appropriate for the Group's current size and structure. This is reviewed on an annual basis. The Group believes that the successful functioning and effectiveness of the Board is predicated upon a number of key factors, in addition to its composition. These are:

- Operations – the agenda and frequency of meetings, and monitoring of attendance;
- Access to appropriate advice and administrative services – via both the Company Secretary and external resources, as required;
- Detailed induction of new Directors to the Board and its committees; and
- Regular assessment of Board performance – both as a unit and of its members individually.

Both the Chairman and the other members of the Board hold these factors in the highest regard and are dedicated to performing ongoing evaluation to evaluate how they are applied in practice.

The time commitments of the Non-Executive Directors are as follows:

- Julian Brown minimum time commitment of four or five days per month.
- David Wilkinson minimum time commitment of two or three days per month.
- Ian Ritchey minimum time commitment of two or three days per month.
- Derek Bulmer minimum time commitment of four or five days per month.

Principle 6. Ensure that between them, the Directors have the necessary up-to-date skills, experience and capability

The Board is confident that its members have an appropriate balance of backgrounds, skills and knowledge in order to deliver on its core objectives. The members of the Board have particular experience in offshore energy; engineering; manufacturing; operations and finance, covering both private and public companies.

The Nomination Committee is responsible for overseeing the selection of Board members that possess an appropriate range of experience, knowledge, integrity and ethics. Throughout the year, the Directors can access advice and services of independent professional advisors, at the expense of the Company.

Each of the Directors are active in the energy sector and continually refine and improve their knowledge of the latest techniques and strategies in order to ensure they are adding maximum value to the Board.

For acquisition activity we use a range of professional advisors to protect and enhance the Group's position as it delivers on its strategy.

Principle 7. Evaluate Board performance based upon clear objectives and reassess continuously

The Board has an annual process for the performance appraisal of its members, the scope of which includes skills, experience and capabilities, and incorporates consideration of additional responsibilities such as chairing or membership of the Board committees. The annual appraisal is carried out by the Chairman with regards to the competencies and responsibilities set out by the Nomination Committee pursuant to each Board role. As part of this process, any training and personal development needs will be identified and a plan formulated to ensure these are met over an appropriate timeframe.

The Chairman's performance is also appraised through a process managed by a Chairman Appraisal Group, comprising the Chief Executive Officer and the Chief Financial Officer.

The responsibilities of the Board are to review, formulate and approve the Group's strategy, budgets and corporate activities, and to oversee the Group's progress towards its goals. The Group has a defined process for evaluating the performance of the Board, its committees and the individual Directors, including the Chairman, in respect of these objectives.

The Board carries out an evaluation of its performance review regularly, covering Board composition and skills, strategy and performance, governance and organisation, Board dynamics, and communication with shareholders and other key stakeholders. This evaluation is based upon the self-assessment of the Chairman and Directors. If deemed necessary, an external adviser may be brought in to support with the evaluation.

The Nomination Committee may use the output of the evaluation process when evaluating the composition of the Board for selecting new Board members, and in succession planning for the Directors of the Board as well as key executive team members.

Principle 8. Promote a culture which is based on ethical values and behaviours

We have a clear vision and values. Our values are:

Work Together- We foster teamwork without boundaries, to ensure the best results are delivered in an environment where people feel empowered, safe, trusted, confident and inspired to develop.

Do Things Right - We take a united approach towards Safety, Quality and Delivery. We lead by example and constantly find ways to raise standards. We challenge the norm and have courage to stand up for what is right.

Break the boundaries - We collaborate with our customers and constantly look for ways to develop our technology and services to make today's impossible tomorrow's deliverable.

The Board advocates ethical responsibility and good conduct within the Group, encouraging a culture of inclusion, responsibility and openness which is consistent with the Group's objectives. We constantly strive to actively promote a proactive attitude towards HSQE by all stakeholders and we have a safety-first approach in everything we do.

The Group is an equal opportunities employer and actively encourages diversity at all levels. These values are embedded in the Group's leadership and throughout the organisation.

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

Quality underpins everything we do. Within the offshore energy industry, standards and the protection of those standards are paramount and something which the Tekmar Board has a wealth of experience in. Our independently audited quality management systems and ISO accreditations demonstrate our commitment in this area.

The Group operates an effective governance framework. Within this framework the Board encourages and challenges the Executive Team in developing and delivering the Group's strategy. An open and constructive dialogue is entered into before decisions within these governance structures are concluded.

The Chairman leads the Board and takes responsibility for its governance structures, performance and effectiveness. This includes ensuring that the dynamics of the Board are functional and productive, and that deliberations and discussions are not dominated by any individual member. The Chairman is also responsible for ensuring that links between the Board and the Executive Team and the Board and shareholders, are strong and effective. Meanwhile, the Chief Executive Officer takes responsibility for the day-to-day management of the Group's operations and for delivering the strategic goals agreed by the Board.

The Board maintains an agenda of regular financial and operational matters for discussion, as well as reviewing each committee's area of work. The Board takes ultimate responsibility for making any key strategic or business decisions. Members of the Executive Team are invited to attend appropriate portions of meetings of the Board in order to facilitate these processes. In other instances, the Chief Executive Officer communicates their relevant views and information to the rest of the Board.

The effectiveness of the corporate governance structures and processes is formally assessed as part of the annual Board evaluation.

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

We are committed to communicating openly with our shareholders to ensure our strategy, business model and performance are all clearly understood. Understanding what key stakeholders think about us, including the drivers behind their investment decisions, is a key part of developing our business. We also maintain a strong focus on ensuring our stakeholders understand our business.

The principal methods of communication with shareholders are the Annual Report, the interim and full-year results announcements, the Annual General Meeting and other announcements as and when applicable on the Group's investor website.

The website is updated regularly with information regarding developments across the Group, and users can register to receive email alerts regarding new announcements, reports and events, including Annual General Meetings. Where possible, we proactively support investor roadshows at key dates throughout the year, attend investor conferences and host site visits to Tekmar premises; including ad-hoc meetings by exception.

Board of Directors

Julian Andrew Brown **Independent Non-Executive Chair**

Remuneration Committee (Chair), Nomination Committee (Chair), Audit Committee

Julian is a prominent figure in the UK Renewables market with a wealth of experience. In addition to Tekmar, he has NED roles with BW Ideol AS, ORE Catapult and SENSE Wind Ltd. He is the former Vice President and UK Country Manager for MHI Vestas Offshore, the leading wind turbine manufacturer and a Board member and former Chair of RenewableUK, the UK's leading renewable energy trade association. Other former roles include co-founder and Chair of 8.2 Aarufield Ltd, UK Director of AREVA Wind, a founding partner of the globally respected renewables consultancy BVG Associates Limited and Managing Director of Vestas Blades UK. He is a member of the UK Offshore Wind Industry Council.

Alasdair MacDonald **Chief Executive Officer**

Ally has over 30 years of experience in the offshore energy sector. He has held senior executive positions at Wellstream Holdings plc, a FTSE 250 designer, manufacturer, and supplier of flexible pipeline products to customers in the offshore oil industry. He spent 19 years with Technip UK Limited, a Global engineering and construction company, including acting as Managing Director of Technip Umbilicals Limited between 2005 and 2008, a leader in its global markets. Ally has also held or holds Director roles in various privately funded businesses. An Engineer by trade, he graduated with an honour's degree in mechanical engineering.

Derek Bulmer **Non-Executive Director**

Derek joined Tekmar in 2021 and has significant experience in senior finance and management roles at public companies. Most recently, as Chief of Financial Officer and in-house counsel at AIM-listed radiation detection technology company Kromek Group plc for ten years between 2010 and 2020. Before Kromek, Derek built significant financial and legal experience at Bass plc, AWG plc and Istock plc, as well as several privately-owned companies across a range of industries, including the energy industry. Derek qualified as a Chartered Accountant in 1992 and as a Barrister in 2010, being a member of the Middle Temple.

David Wilkinson **Senior Independent Non-Executive Director**

David is a Fellow of the Institute of Chartered Accountants and holds the ICAEW's Corporate Finance qualification. He was a Partner at Deloitte for almost 30 years, initially being responsible for Corporate Finance advisory and transaction support work, but later in his career undertook audits as the Responsible Individual for large private companies and plcs within a diverse range of industries, including the technology, manufacturing, and engineering sectors. In recent years, David has taken up several Non-Executive Director roles in Technology and engineering companies.

Ian Ritchey **Independent Non-Executive Director**

Ian is an experienced engineering leader with a strong track record of delivery in the Energy, Aerospace, Defence, and Marine sectors. Ian has nearly 30 years of experience in the engineering industry, including 20 years in senior leadership positions with Rolls-Royce plc, where he held key roles, including Head of Aerospace Research and Technology, Defence Engineering Director and Executive VP of Engineering and Technology - Commercial Marine. Most recently, he was Group Chief Engineer, leading the Engineering function across the business. Ian has degrees from Cambridge and Stanford Universities. He is an Honorary Professor at Durham University, a Chartered Engineer, a Fellow of the IMechE and a Fellow of the Royal Academy of Engineering, where he currently Chairs the Diversity and Inclusion Leadership Group.

Senior Management

Leanne Wilkinson, Interim CFO, Tekmar Group

Leanne is a CIMA qualified accountant with over 20 years' experience as a senior professional and business leader. Having joined Tekmar Group in June 2020 as Finance Director for Tekmar Energy, Leanne then held the position of Group FD prior to interim CFO. Prior to joining Tekmar, Leanne previously worked in manufacturing and technology sectors and has experience of business change, transformation and integration.

Dave Thompson, Managing Director, Subsea Innovation / Group Engineering Director

A Chartered Engineer with over 34 years of experience. Dave is a member of the IET and a fellow of the IMechE with a master's degree in engineering and a degree in management studies. Dave has worked in senior engineering roles for over 20 years designing, building and servicing capital equipment for several engineering companies, including Technip and Royal IHC. Dave joined Subsea Innovation initially as Technical Director in 2014, moving into the role of Managing Director in 2016.

Fraser Gibson, Managing Director, AgileTek Engineering

Fraser is a Chartered Engineer with the Institution of Civil Engineers and has worked as a geotechnical engineering consultant in the offshore sector for over 16 years. Fraser spent time at UTEC Geomarine, progressing from Senior Engineer to Principal Engineer and then to Regional Manager for APAC, where Fraser spent two years in Singapore establishing an office for UTEC Geomarine in the region before later setting up Ryder Geotechnical in 2016.

Steve Howlett, Managing Director, Pipeshield International

Steve established Pipeshield in 1999. Over the past 20 years, Steve has overseen the company's growth to become one of the world's leading providers of specialised subsea asset protection systems to the offshore energy markets, picking up numerous awards for growth, innovation and global exports along the way.

Marc Bell, Managing Director, Tekmar Energy

Marc is a Mechanical Engineer with a Master's in Business Management from the University of Durham. He has over 25 years of technical and operational leadership experience within manufacturing, service and project engineering-focused organisations, the past 15 years in the Global Energy Sector. Before taking up the Managing Director position with Tekmar Energy in 2021, Marc held the positions of Global Operations Director for JDR Cables, Head of Offshore Wind UKI for Siemens Gamesa and Global Manufacturing Manager for Technip Umbilicals.

Angela Lock, General Manager, Tekmar China

Joining in 2018, Angela played a key role in establishing Tekmar Energy in China. Previously, Angela was the General Manager of the British Chambers of Commerce Shanghai and has assisted numerous UK companies in entering China. Endorsed by the UK Department for International Trade, Scotland Development International, and RenewableUK, she founded UK-China Hub for Offshore Wind in January 2017. Angela is also a member of the Sino-British Offshore Wind Collaboration Advisory Committee Meeting since 2016.

Gary Howland, Group Sales Director, Tekmar Group

Gary joined Tekmar Group in 2021 from subsea cable manufacturer JDR Cable Systems. Gary has over 15 years of experience in the offshore energy sector, having held business development, strategic marketing, sales, and commercial positions for several Tekmar's customers and competitors. Gary holds an engineering degree in Marine Technology from Newcastle University.

Jim Pearson, Group Legal Counsel/Company Secretary, Tekmar Group

Jim is an English law-qualified Solicitor and has worked as an In-House Counsel in the energy and renewable sectors since 2012. Jim trained at Pinsent Masons and specialised in commercial law on qualification, with other specific experience in data protection, IT and IP law. Jim has worked on a wide range of energy projects both in the UK and globally, including in the offshore wind, onshore wind, battery and Oil & Gas sectors, advising a range of companies from owners and operators to various levels in the supply chain. Jim joined Tekmar Group in early 2021 and manages the legal function across the Group, supporting the business in its global operations.

Chloe Ainsworth, Head of People, Tekmar Group

Chloe has 10 years of experience in business and HR, with a first-class honours degree in Business and a diploma in UK and International Employment Law. Chloe has gained broad experience in the people profession across multiple industries, including FMCG, chemical processing, and corporate legal. Chloe takes an active role in the CIPD and is a qualified CIPD mentor to those looking to progress their career.

Michael Manning, Group Marketing Manager, Tekmar Group

With over a decade of marketing experience, both in the private and public sectors, Michael has a proven track record of success in driving brand awareness and growth. Michael's passion for design and brand identity has helped him create marketing campaigns that not only capture the attention of the target audience, but also effectively communicate the unique value proposition of products and services. Furthermore, Michael has worked alongside sales teams to achieve company targets and financial goals.

Alistair Cutting, Group Head of Finance, Tekmar Group

Alistair is a member of the Institute of Chartered Accountants in England and Wales, with 10 years of experience in finance. Alistair joined Tekmar group as Financial Controller of Subsea Innovation Limited and held the role of Group Financial Controller. Alistair has a strong background in financial reporting, audit and the development and implementation of financial controls.

Risk Management

Identifying, evaluating and monitoring the key indicators to the success of our business is pivotal to informing our strategic decision making.

The Board has overall responsibility for setting the course for the Group's risk management objectives and policies. Working within the offshore energy industry, managing risk is integral to our business and we continuously review our policies, procedures and behaviours to mitigate our risks and reduce them to acceptable levels.

The objective of the Board is to set policies that seek to mitigate ongoing risk as far as possible whilst maintaining the Group's competitiveness and flexibility. The Board believes this helps to sustain stakeholder value; from key suppliers to end-customers; while also protecting the Group's established corporate culture and creating shareholder value.

The Group operates a structured process in relation to risk management, including both financial and non-financial controls, which identifies and evaluates risks and uncertainties and reviews activity to mitigate those risks. The most salient and significant risks that the Board considers could potentially impact the business are described below. We consider the nature of the Group's principal risks and uncertainties have not materially changed since last year:

Risk 1. Macroeconomic environment

Risk Type: Financial, Operational

Description: General economic conditions: This risk relates to the Group's exposure to short-term macroeconomic conditions in our sector such as inflation, cost increases and supply chain logistics. The factors driving the market changes can be outside of the Group's control and difficult to forecast.

Covid-19: In FY22, the Group continued to face economic and operational risks associated with the impact of Covid-19.

Impact: The Group has experienced increased supply chain costs and general cost inflation driven by increased fuel costs related in part to the Russia-Ukraine conflict. These Macroeconomic changes have the potential to reduce the financial resources available to the Group.

Mitigation: The Group cannot control the market conditions in which it operates. The Group has implemented effective cost initiatives, enhanced controls surrounding pricing and gross margin management.

The Group continues to monitor any business disruption caused by Covid-19 and is prepared to implement mitigating actions inline with recommended business practices.

Evaluation: The Board continues to closely monitor the increased risks macroeconomic risks which are mitigated by enhanced controls.

Risk 2. Systems and processes

Risk Type: Operational, Compliance

Description: IT systems are vital to the operations of the Group. Failure to adequately invest in and maintain the Group's systems could lead to the loss or theft of sensitive data or compromise the Group's ability to effectively carry out operations.

Impact: Systems failures could lead to an inability to meet customers' needs and lead to reputational damage. The loss of sensitive information could lead to significant damage with an associated risk of fines.

Mitigation: The Group predominantly outsources provision of IT services to a suitably qualified third-party, whose competence and service are regularly reviewed. This is supplemented by in-house resource to focus on effective and consistent IT systems and processes across the Group. Regular staff training is offered or mandated, depending upon the nature of the training, to ensure that all staff maintain awareness of their responsibilities with respects to IT security, with particular focus on cyber-security.

Evaluation: No change

Risk 3. Access to capital (Liquidity Risk & Cashflow risk)

Risk Type: Strategic, Finance

Description: Linked to Macroeconomic environment, access to capital is a significant factor in our plans to grow the business. There is uncertainty in relation to how, when and to what extent developments will impact on the markets we operate in, the wider economy, levels of investor activity and confidence and exchange rates.

Impact: Without access to sufficient finance the company may struggle to undertake all aspects of its growth plan, such as the acquisition strategy and accelerated growth.

Mitigation: The business has ongoing relationships with banks and other financial institutions that offer the required level of support. The Group has strengthened its cash position with the extension on banking facilities and the equity fundraise. Cash flow forecasts are updated and discussed regularly, with analysis prepared at both a subsidiary and Group level. As noted in the basis of preparation of the financial statements on page 72, there is a risk that bank facilities are not renewed. The business has a strong relationship with Barclays and as a result, management are confident that bank facilities will continue to be available to the group for the foreseeable future.

Whilst the Group meets its day-to-day working capital requirements through the availability of these banking facilities, the Board continues to consider that the Group would benefit from investment to provide additional balance sheet strength and support its opportunities for growth. In line with previous announcements, the Board is continuing to explore exclusive discussions with a potential strategic partner. The proposal being considered represents a strategic investment from a global institutional investor in the energy sector, which would provide funding for the Company to follow an ambitious plan for growth, both organically and by acquisition.

Evaluation: Monitored by board

Risk 4. Project timings and delay to contract awards

Risk Type: Strategic, Finance

Description: The project-based, contractual nature of the Group's business, coupled with its concentrated customer base, leads to a revenue profile that is inherently uneven over the year. Most contract awards and associated revenues are dependent on large capital projects within the energy sector, the timing of which is out of the business' control.

Impact: There is an associated risk that the fulfilment of any contract, together with its revenue, may fall outside the financial period that was originally forecast. This, in turn, may have a material adverse impact on the Group's reported financial performance for the specific period.

Mitigation: The business has produced a 5-year strategic plan that includes an assessment on project timing and the revenue streams macro climate. The wider Group portfolio offers a mix of project timings due to new markets and regions.

Evaluation: No change

Risk 5. Technology and competition

Risk Type, Strategic

Description: The risk of new competitors leading to a reduction in pricing. Design changes could lead to technology obsolescence and subsequently reduced volume of sales.

Impact: Reduced volume of sales. Increase in capital expenditure to develop new products. Resulting in a reduction in the Group's financial performance.

Mitigation: The business undergoes a detailed technology readiness level (TRL) programme when developing new products, which includes an assessment of competition and what our ultimate value proposition would be. Significant investment is made in the continuous development of existing products to ensure they keep pace with current market trends. Our more diversified product portfolio allows us to offer a unique proposition to customers.

Evaluation: No change

Risk 6. Recruitment and Retention of Key People

Risk Type: Operational, Compliance;

Description: The business may fail to attract, develop and retain key individuals with the skillsets required to maintain a successful business and culture, particularly within engineering and leadership.

Impact: A major impact on Tekmar's ability to fulfil its contractual obligations. Adverse impact on the future growth aspirations for the Group.

Mitigation: Key KPI's are reviewed monthly by the Executive Team and Board.

In addition, the People Strategy has been developed to focus on the retention and development of talent. Annual appraisal assessments are undertaken and a skills matrix and succession plan developed from this, including risk mitigation plans.

Annual review of remuneration and benefits to ensure we are consistent across the Group and are competitive in the relevant region. Executives and senior management incentive plan in place.

Regular pulse surveys to invite feedback on a range of issues over the period.

Evaluation: No change.

Risk 7. Risk of claims and failure to meet contractual obligations

Risk Type: Strategic, Financial, Operational

Description: The Group enters contracts that contain terms that, in some cases, contain wide reaching indemnities and warranties. These terms are commonplace in the subsea industry and do not unfairly prejudice the Group, nor do they put the Group in a materially worse position than its competitors. These warranties and indemnities lead to an inherent risk that the Group's liability for any breach could be extensive, especially if these are given on an uncapped basis.

Impact: A major impact on the business' ability to fulfil its contractual obligations. Adverse impact on the future growth strategy for the business.

Mitigation: Contracts are reviewed extensively prior to signing, and the likelihood of risks assessed by legal and technical teams. Uncapped liabilities are kept to a minimum and only agreed to for areas of the contract that Directors believe are very low risk. Where possible the Group insures against risks to minimise the potential

financial impact. There is a strong focus across the Group on high quality project execution which is regularly reviewed under independent ISO certification where appropriate.

Evaluation: No change.

Risk 8. Financial management risks

Risk Type: Financial

Description: Price Risk: The Group's key products are reliant on key components including Polyurethane (PU), Cast Iron and concrete. There is an inherent risk that price increases outside of Groups control can have an impact of the trading conditions and environment in which the Group operates.

Interest Rate Risk: The current economic position within the UK has led the Bank of England to increase the base interest rate. Current economic outlook suggests that borrowing rates are likely to continue to increase in the short term. An increase in interest rates will lead to higher annual borrowing costs for the Group.

Exchange Rate Risk: The Group's continued expansion into international markets increases the Group's exposure to risks associated with changes in foreign currency exchange rates on sales and operations. The proportion of revenue denominated in currencies other than pound sterling is expected to increase. Exchange rate variations could have an impact on the Groups reported financial results.

Credit Risk: The ability of the Group along with its key stakeholders, customers and suppliers to avoid default on credit is key to future growth strategy of the business.

Impact: Without access to sufficient finance the company may struggle to undertake all aspects of its growth plan, such as the acquisition strategy and accelerated growth.

Mitigation: The business has ongoing relationships with banks and other financial institutions that offer the required level of support. The Group has strengthened its cash position with the extension on banking facilities. Cash flow forecasts are updated and discussed regularly, with analysis prepared at both a subsidiary and Group level.

Exchange Rate Risk: Where revenues are generated in international markets, with contracts denominated in non-sterling currencies, the Group aims to create a natural hedge by matching the currency of the supply chain to the currency of the revenue stream. Where natural hedges are not available or do not sufficiently cover the exposure, management will consider the use of forward currency contracts to mitigate exchange rate risks.

Enhanced due diligence is undertaken at the contracting stage to understand the price impacts of a particular contract, detailed financial project reviews are undertaken with multiple key suppliers underpinning the core of the Group's supply chain.

Evaluation: Increased risk due to economic environment, monitor.

Audit Committee Report

It is my pleasure to present the Audit Committee Report for the year ended 30 September 2022. The Committee comprises Julian Brown, our Non-Executive Chairman and myself as Chair. As a Chartered Accountant I bring the relevant financial experience in this role and this is my first year as Audit Chair for the Company.

Responsibilities

The Audit Committee oversees the formal and transparent arrangements for considering how the Board should apply the financial reporting and internal control principles of the Company and it maintains an appropriate relationship with the Company's auditors.

We monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, and any other formal announcement relating to its financial performance, including reviewing any significant financial reporting issues and judgements which they contain.

The full Terms of Reference can be found on the Group's website, covering the following areas:

- Financial Reporting
- Internal Controls and Risk Management Systems
- Compliance, whistleblowing and fraud
- External Audit

Internal Controls and Risk Management Systems

The Audit Committee supports the Board in reviewing the risk management methodology and the effectiveness of internal controls. During the year the Group has continued to enhance its financial internal controls and governance procedures.

External auditor

The Audit Committee monitors the relationship with the external auditor, Grant Thornton UK LLP, to ensure that auditor independence and objectivity are maintained. Through this review, the Audit Committee monitors the provision of non-audit services by the external auditor. The non-audit services provided by Grant Thornton UK LLP are disclosed in Note 8 of the financial statements. These fees, which amounted to £5,000, are considered to be a low value and therefore do not impact on the auditor's independence.

Significant issues considered in relation to the financial statements

Significant risks relate to those significant non-routine transactions that are deemed complex and/or highly judgmental. The significant risks and key audit matters relating to the financial statements for this year were considered, discussed with the auditors and concluded upon. Details can be found in the Independent Auditor Report and are summarised below:

- **Revenue Recognition** – there are two types of revenue that require management judgement, being revenue recognised over time and revenue recognised at a point in time. The significant risk relates to the assessment of the cut-off for those contracts spanning the year end.
- **Impairment of goodwill and intangible assets** – there is a significant risk regarding the valuation of intangible assets including goodwill, which are based on management's assessment and assumptions in the annual impairment review. This risk is relevant to the offshore wind CGU.
- **Going concern** – Tekmar Group plc has additional risks given the material uncertainty over the renewal of bank facilities (p72).

- **Valuation of investments in subsidiaries** – this risk associated with valuation of subsidiaries is increased by the uncertainty caused by the economic uncertainty post pandemic.
- **Management override of controls** – this is a non-rebuttable presumed risk for all companies and is reviewed for all companies in the Group.
- **Disclosure of Contingent liabilities** - This risk relates to the disclosure of a contingent liability regarding the alleged CPS failures. This disclosure is based on management's assessment of whether a present obligation exists.

As Chair of the Audit Committee, I am satisfied that the Audit Committee Report covers the activities of the Committee over the year to 30 September 2022 along with the subsequent audit of the financial statements.

I will be available at the Group's Annual General Meeting to discuss any matters raised in this report.

David Wilkinson
Chair of the Audit Committee
14 March 2023

Remuneration Committee Report

I, Julian Brown, Chair of the Remuneration Committee, present the Directors' Remuneration Report for the year ended 30 September 2022. I chair the Remuneration Committee and am joined by David Wilkinson, Senior Independent Non-Executive Director. The report provides shareholders with details regarding our Directors' remuneration policy and the impact of this on Executive remuneration outcomes in the period, along with how this links to the Group's financial performance.

Responsibilities

The Remuneration Committee ensures that the Executive Directors and Executive Management are fairly rewarded for their individual contributions to the overall performance of the Group, having appropriate regard to the views of our shareholders and other stakeholders. Our policy aims to provide appropriate incentives to encourage enhanced Group performance, without paying more than is necessary, having regard to relevant remuneration trends. The Committee also oversees any major changes in employee benefit structures across the Group, also ensuring changes to employment law are duly enacted.

The remuneration of Non-Executive Directors is a matter for the Chairman of the Board along with the Executive Members, not this Remuneration Committee, and no Director or Manager is involved in any decisions as to his or her own remuneration.

Executive Incentive Plan (EIP)

The Group operates an Executive Incentive Plan to ensure the Senior Management Team are motivated and rewarded for supporting the growth aspirations of the Group. The EIP is made up of equal parts long term share option plans and bonus, with values being indicative of an individual's role and tenor. The EIP is reviewed by this Committee to ensure performance measures align to the financial targets of the Group, including reward for material stretch targets.

Targets for the CEO and CFO are based on Earnings per Share and the remaining Executive Management Team are based on Earnings Before Interest & Tax and Cash Generation.

Employee remuneration

Annual Pay Review

In recognition of the hard work and loyalty of our people during the last twelve months, and to assist with cost of living, we confirmed an inflationary award of 5% to all eligible staff from 1 July 2022.

Sharesave Plan 2022 (SAYE)

Following the success of our Sharesave plans in 2020 and 2021 we launched our second plan in March 2022. The scheme was again open to all employees subject to a qualifying service period. A total of 21 employees subscribed to 550,393 share options over a period of three years.

Group Remuneration Policy

The key components of the remuneration policy are:

	Why	How
Basic annual salary	To attract and retain the right talent reflecting the responsibilities of the role, along with experience and skills required.	Inflationary pay rises tracking national indicators

Pension	To provide a contributory pension scheme in line with or exceeding statutory requirements, to provide employees with support after retirement	The Group continues to contribute 5% to employees' pensions and has transitioned to a salary sacrifice scheme within the year
Other benefits	Additional benefits to support the health and wellbeing of our employees	Life assurance, healthcare scheme, wellbeing programme
Annual bonus	To reward high-performing individuals	Annual bonus with performance criteria based upon financial targets, to support the Group's growth strategy. The key criteria for performance is based on revenue growth, Adjusted EBITDA and cash generation.
Share schemes	Share ownership is an important part of employee incentivisation and retention	All employee SIP and SAYE Plans and LTIPs for executive management

Remuneration of the Board

The Remuneration Committee reviewed the market rates in considering the remuneration of the CEO and CFO during the period, along with the Non-Executive Director roles, and confirm they remain in line with appropriate benchmarks.

Director remuneration Name of Director	Basic salary / fees £000	Benefits £000	Social security £000	Bonus £000	Company Pension contributions £000	FY22 Total £000	FY21 Total £000
J Ritchie	-	-	-	-	-	-	174
S Hurst	71	-	13	-	90	174	343
A MacDonald	214	-	13	100	-	327	300
C Gill	27	-	1	-	-	28	63
J Brown	60	-	5	-	2	67	80
D Bulmer	182	-	11	60	7	260	62
I Ritchey	35	-	3	-	1	39	20
D Wilkinson	17	-	-	-	-	17	-

(1) Bonus payment on completion of placing and open offer in March 2022

(2) S Hurst resigned on 30 November 2021

(3) C Gill resigned on 6 May 2022

(4) D Wilkinson appointed on 6 May 2022

IPO options

The table below shows the activity in relation to the IPO options from 2018.

IPO options	Share options b/fwd.	Options lapsed - employment	Options exercised	Remaining options
Susan Hurst	87,500	-	(87,500)	-
Steven Rossiter	31,250	-	(31,250)	-

Retention Plan

Following the resignation of the former CEO, James Ritchie, on 3 August 2020 the Board approved a new share option incentive plan, the Retention Plan, to further incentivise the Executive Management Team. The team were granted awards for up to 200,000 ordinary shares based on length of service, effectively reallocating a large proportion of the IPO options that lapsed on James leaving.

Retention plan	Options b/fwd	Options lapsed - employment	Options exercised	Remaining options
Alasdair MacDonald	17,073	-	-	17,073
Dave Thompson	10,760	-	-	10,760

Under the plan shares became available to exercise on 2nd June 2021. For those individuals working their notice on this date the options lapsed.

LTIPs

In August 2020, under the EIP, the Remuneration Committee approved three Long Term Incentive Plans (LTIPs) to incentivise and reward management for the three financial years, ending 31 March 2023. Management were granted awards for up to 1,294,010 ordinary shares, representing 2.5% of the Company's issued share capital at that time. The performance conditions were aligned to achieving financial targets for each of the three years with the following awards for each year:

	Ordinary shares
FY21 LTIP	391,108
FY22 LTIP	446,980
FY23 LTIP	455,922

The table below shows the activity in the period in relation to LTIPs including the position at the period end, showing those options lapsing due to performance conditions not being met and those lapsing due to the employment conditions not being met.

LTIPS	Options b/fwd	Options lapsed - performance	Option lapsed - employment	Remaining options
Fraser Gibson	136,585	(136,585)	-	-
Dave Thompson	182,112	(182,112)	-	-
Marc Bell	51,086	(51,086)	-	-
Leanne Wilkinson	45,977	(45,977)	-	-

The Board recognises the need to ensure the Executive Management Team remain incentivised going forward and will be launching the FY24 LTIP once clear of the financial closed period. This will include the arrangements for the current CEO and CFO.

The above report sets out our approach to remuneration for the Executive Management Team and employees. However, if you have any questions regarding this, I will be available at the Group's Annual General Meeting to discuss them.

Julian Brown
Chair of the Remuneration Committee
14 March 2023

Nomination Committee Report

I, Julian Brown, Chair of the Nomination Committee, present the Nomination Committee Report for the year ended 30 September 2022. The Committee comprises David Wilkinson who is our Senior Independent Non-Executive Director and myself as Chair.

Responsibilities

The Nomination Committee regularly reviews the structure, size and composition of the Board and makes recommendations to the Board with regard to any changes. We give regular consideration to the succession planning for Directors and Senior Executives, taking into account the skills and experience needed both now and in the future.

During 2022, the Committee maintained its focus on the careful succession planning of the Board and Executive Management Team to ensure that they remain effective in driving forward the strategy of the Company.

There has been one change to the Board this year and I provide more detail as to the Nomination Committee's involvement and process below.

Non-Executive director – May 2022

On 6 May 2022, we welcomed David Wilkinson to the Board as Senior Independent Non-Executive Director. David also joined as a Member of this Committee, the Remuneration Committee and Chair of the Audit Committee on the same date. We are delighted that David has joined us as he brings with him a wealth of experience that has further enhanced the knowledge and skills of the Board as a whole.

On 6 May 2022, Chris Gill stepped down from the Board as Senior independent Non-Executive Director. Chris also stepped down from the responsibilities of Nomination Committee member, Remuneration Committee member and Chair of the Audit Committee.

Other changes

On 17 November 2023, Derek Bulmer stepped down from the role of Chief Financial Officer and assumed the role of a Non-Executive Director.

Julian Brown
Chair of the Nomination Committee
14 March 2023

Directors' report

for the year ended 30 September 2022

The Directors present their report together with the audited Group financial statements of the Parent Company ('the Company') and the Group for the year ended 30 September 2022.

Directors

The directors who held office during the year and up to the date to the approval of accounts were as follows:

Alasdair Macdonald
Derek Bulmer
Julian Brown
Ian Ritchey
David Wilkinson (Appointed 6 May 2022)
Christopher Gill (Resigned 6 May 2022)
Susan Hurst (Resigned 30 November 2021)

Business review and future developments

The information that fulfils the requirements of the strategic report and business review, including details of the results for the year ended 30 September 2022, principal risks and uncertainties, research and development, financial KPIs and the outlook for future years, are set out in the Chairman's Statement and Chief Executive Officer's and Chief Financial Officer's Reviews.

Major shareholders

As at 24th February 2023 the following interests of shareholders in excess of 3% have been notified to the Company:

	Number of ordinary shares	Ordinary shares as a % of issued share capital
Schroders plc	12,400,247	20.34%
J O Hambro Capital Management Limited	6,016,667	9.87%
BGF Investment Management Limited	3,955,000	6.49%
Columbia Threadneedle Investments	4,755,828	7.83%
Phillip J Milton & Company plc	2,944,883	4.83%
Moneta Asset Management	2,200,000	3.61%

Going Concern

The Group meets its day-to-day working capital requirements through its available banking facilities which includes a CBILs loan of £3.0m currently available to 31 October 2023 and a trade loan facility of up to £4.0m that can be drawn against supplier payments, currently available to 31 July 2023. The latter is provided with support from UKEF due to the nature of the business activities both in renewable energies and in driving growth through export lead opportunities. The Group held £8.5m of cash at 30 September 2022 including full draw down of the £3.0m CBILs loan and a further £4.0m of the trade loan facility. There are no financial covenants that the Group must adhere to in either of the bank facilities.

The Directors have prepared cash flow forecasts to 30 September 2024. The base case forecasts include assumptions for annual revenue growth supported by current order book, known tender pipeline, and by publicly available market predictions for the sector. The forecasts also assume a retention of the costs base of the business with increases of 5% on salaries and a cautious recovery of gross margin on contracts. These forecasts show that the Group is expected to have a sufficient level of financial resources available to continue to operate on the assumption that the two facilities described are renewed. Within the base case model management have

not modelled anything in relation to the matter set out in note 20 Contingent Liabilities, as management have assessed there to be no present obligation.

The Directors have sensitised their base case forecasts for a severe but plausible downside impact. This sensitivity includes reducing revenue by 15% for the period to 30 September 2024, including the loss or delay of a certain level of contracts in the pipeline that form the base case forecast, and a 10% increase in costs across the Group as a whole for the same period. The base case and sensitised forecast also includes discretionary spend on capital outlay. In addition, the Directors note there is further discretionary spend within their control which could be cut, if necessary, although this has not been modelled in the sensitised case given the headroom already available. These sensitivities have been modelled to give the Directors comfort in adopting the going concern basis of preparation for these financial statements. Further to this, a 'reverse stress test' was performed to determine at what point there would be a break in the model, the reverse stress test included reducing revenue by 20% and increasing overheads by 15% against the base case. The inputs applied to the reverse stress are not considered plausible.

Facilities - Within both the base case and severe but plausible case, management have assumed the renewal of both the CBILS loan and trade loan facility in October 2023 and July 2023 respectively. In the unlikely case that the facilities are not renewed, the Group would aim to take a number of co-ordinated actions designed to avoid the cash deficit that would arise. The Group announced a sales process in June 2022. This could have the impact of triggering change in ownership clauses in the facilities which again, would remove the required funding. The Directors do not believe this would happen based on current communications.

The Directors are confident, based upon the communications with the team at Barclays, the historical strong relationship and recent bank facility renewal in November 2022, that these facilities will be renewed and will be available for the foreseeable future. However, as the renewal of the two facilities in October 2023 and July 2023 are yet to be formally agreed and the Group's forecasts rely on their renewal, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and parent company's ability to continue as a going concern.

The Directors are satisfied that, taking account of reasonably foreseeable changes in trading performance and on the basis that the bank facilities are renewed, these forecasts and projections show that the Group is expected to have a sufficient level of financial resources available through current facilities to continue in operational existence and meet its liabilities as they fall due for at least the next 12 months from the date of approval of the financial statements and for this reason they continue to adopt the going concern basis in preparing the financial statements

Dividends

The Directors do not anticipate that the Company will declare a dividend in the near term, as available cash will support working capital requirements along with the identified strategic investment plan. No dividends have been paid in the period.

Directors and their interests

The Directors of the Company during the period and their interests in the ordinary share capital at the end of the year are shown in the table below:

Ordinary shares of 1p each	30 September 2022	30 September 2021
A MacDonald	622,267	509,526
J Brown	30,341	19,230
D Bulmer	68,297	-
Ian Ritchey	33,333	

*Note – the table above shows only Directors that have an interest in the Group in the period.

There have been no changes to the above shareholdings since the period end.

Further details of the Directors' interests can be found in the Remuneration Committee Report.

Alasdair Macdonald
Chief Executive Officer
14 March 2023

Alasdair Macdonald

This Directors' Report was approved by order of the Board.

- the Directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.
 - So far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- The auditor, Grant Thornton UK LLP, has been appointed and a resolution concerning their appointment will be proposed at the AGM. So far as each of the Directors is aware at the time this report is approved:

Independent auditor

There have been no significant events in the year from 30 September 2022 and the publication of these financial statements.

Events after the reporting date

These Group financial statements will be laid before the Company in a general meeting be held at 11.00am on 31 March 2023 at Innovation House, Centurion Way, Darlington, DL3 0UP. The Notice of General Meeting which sets out the resolutions to be proposed at that meeting accompanies these Group financial statements.

The Annual General Meeting will be held at 10.30am on 31 March 2023 at Innovation House, Centurion Way, Darlington, DL3 0UP. The Notice of Annual General Meeting which sets out the resolutions to be proposed at the forthcoming AGM has been posted to shareholders.

Notice of Annual General Meeting

The Company has one class of equity share, namely 1p ordinary shares. The shares have equal voting rights and there are no special rights or restrictions attaching to any of them or their transfer to other persons. The rights and obligations attaching to these shares are governed by the Companies Act 2006 and the Company's Articles.

Rules governing the appointment and replacement of Directors, and those relating to the amendment of the Company's Articles of Association, are contained within those Articles of Association, a copy of which is located on the Company's website (investors.tekmar.co.uk).

Takeover Directive requirements

The Group considers its key stakeholders to be its shareholders, employees and customers and suppliers. How the Group engages with these, and broader, stakeholders is described in the S172 statement on page 19.

Relations with stakeholders

The Group is classed as a medium sized company and therefore does not fall under the scope of the Streamlined Energy & Carbon Reporting (SECR) requirements.

Streamline energy and carbon reporting (SECR)

The Group has not made qualifying third-party indemnity provisions for the benefit of its Directors during the year.

Directors indemnities

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange, they are required to prepare the Group financial statements in accordance with UK-adopted International Accounting Standards (IFRS's)) and applicable law and they have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and Parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Alasdair Macdonald
Chief Executive Officer
14 March 2023

Independent auditor's report to the members of Tekmar Group plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Tekmar Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2022, which comprise the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in equity, the Consolidated cash flow statement, the notes to the consolidated financial statements including a summary of significant accounting policies, the Parent company balance sheet, the Parent company Statement of changes in equity and the notes to the parent company financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2022 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to the going concern note in Note 2(b) in the financial statements, which indicates that at the reporting date, the group meets its day-to-day working capital requirements through reliance on its available banking facilities which includes a COVID Business Interruption Loan (CBIL) of £3.0m, currently available to 31 October 2023 and a trade loan facility of up to £4.0m that can be drawn against supplier payments, currently available to 31 July 2023. The note also confirms that it is not certain that the facilities will be renewed, although it is expected. The cash flow forecasts show that the group is expected to have a sufficient level of financial resources available to continue to operate on the assumption that the two facilities described are renewed.

As stated in note 2(b), these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the group and the parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of management's assessment of the entity's ability to continue as a going concern

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of how management prepared their base case and sensitised forecasts for the period to September 2024;
- Assessing the accuracy of management's forecasting by comparing the reliability of past forecasts to management's actual results, and considering whether management's historic forecasting accuracy impacts the reliance we can place upon the forecasts provided;
- Obtaining an understanding of key trading, balance sheet and cash flow assumptions and testing those key assumptions to underlying historical financial data, post year end trading information and market analysis data;
- Assessing the terms of the external debt held and challenging management's assessment of the possibility of renewal during the going concern period and obtaining correspondence from the lender;
- Assessing the plausibility of the mitigating actions available to management to continue as a going concern if downside sensitivities were to crystallise;
- Evaluating management's reverse stress test and worse-case forecasts and management's consideration of the magnitude of a decline in cash that would give rise to the elimination of the headroom in the borrowing facilities;
- Performing arithmetical and consistency checks on management's going concern base case model; and
- Assessing the adequacy of related disclosures within the annual report for consistency with management's assessment of going concern and whether they are in line with the accounting standards.

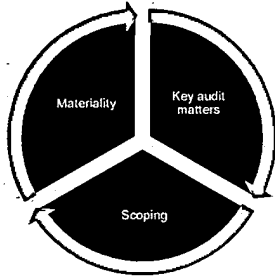
Our responsibilities

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

	Overview of our audit approach
	Overall materiality: Group: £300,000, which represents approximately 1.0% of the group's revenue. Parent company: £270,000, which is capped at 90% of group materiality and represents approximately 0.4% of the parent company's gross assets.
	Key audit matters were identified as: <ul style="list-style-type: none"> • Revenue recognition (same as previous period);



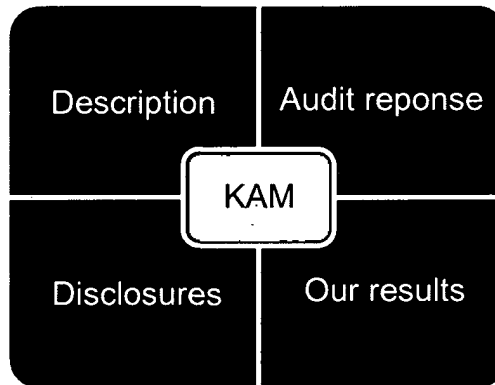
- Material uncertainty related to going concern (same as previous period);
- Impairment of goodwill and intangible assets (same as previous period);
- Disclosure of contingent liabilities (new this year); and
- Impairment of investments in subsidiaries (parent only) (same as previous period).

Scoping has been determined to ensure appropriate coverage of the significant risks as well as coverage of the key results in the financial statements:

We performed an audit of the financial information of four components using component materiality (full-scope audit). We performed analytical procedures at group level (analytical procedures) on the financial information of all the remaining group components.

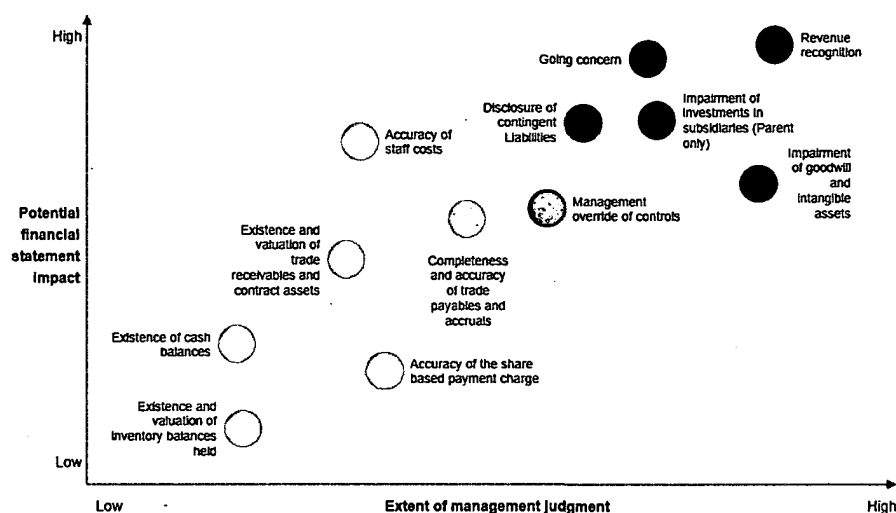
Key audit matters

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



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

In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



●	Key audit matter	★	Significant risk	○	Other risk
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Key Audit Matter – Group

How our scope addressed the matter – Group

Revenue recognition

We identified the risk of fraud in revenue recognition as one of the most significant assessed risks of material misstatement due to fraud.

We determined that the risk of material misstatement lies within the two types of revenue recognised as follows:

Revenue recognised over time

Revenue is recognised in accordance with International Financial Reporting Standard (IFRS) 15 'Revenue from Contracts with Customers' and recognition of revenue requires management to make judgement relating to allocation of consideration, assessing the stage of completion for a contract and forecasting management's margin. These judgements increase the associated risk of fraud in relation to revenue recognition.

This risk relates to the occurrence assertion.

Total revenue recognised over time is £20.1m (2021: £40.2m).

Revenue recognised at a point in time

The significant risk identified is in relation to cut off and fraudulently or erroneously accelerating revenues that should not be recognised in the year ending 30 September 2022 and increases the associated risk of fraud in relation to revenue recognised. This impacts revenue recognised at the end of the financial year.

Total revenue recognised at a point in time is £10.0m (2021: £6.8m).

In responding to the key audit matter, we performed the following audit procedures on revenue recognition:

- Evaluating the revenue recognition policies for consistency with IFRS 15, through assessment of management's IFRS 15 paper; including, specifically, consideration of management's identification of performance obligations and allocation of the transaction prices to the performance obligations;
- Obtaining and reading management's IFRS 15 assessment of performance obligations and recording of consideration across a sample of contracts to determine whether there is an indication of bias in the amount of consideration recognised by obligation or that there is an error in the performance obligations identified;
- Challenging management's total expected costs to gain assurance that revenue had been recognised correctly by reference to the accuracy of the percentage of completion. We compared costs expected with post year end results and tested a sample of forecasted costs to supporting evidence such as purchase orders and supplier quotations;
- Testing the historical accuracy of forecasting by comparing final outturn of

Key Audit Matter – Group	How our scope addressed the matter – Group
<p>Relevant disclosures in the Annual Report and Accounts 2022</p> <ul style="list-style-type: none"> • Financial statements: Note 4 Revenue and Segmental Reporting • Audit committee report: Significant issues considered in relation to the financial statements <p>Impairment of goodwill and intangible assets We identified valuation of intangible assets, including goodwill as one of the most significant risks of material misstatement due to error, specifically in relation to the offshore wind cash generating unit (CGU). The risk associated with intangible asset valuation is increased by the high level of estimation uncertainty in assessing the future performance of the group using operating cash flows and long term growth rates and also in assessing the appropriate discount rate to apply in calculating the 'value in use' of the cash generating units (CGUs). In addition, this is assessed as a significant risk because of the underperformance of the group in the year. There is a risk that intangible assets may be impaired in line with International Accounting Standards (IAS) 36 'Impairment of Assets'. This risk is relevant to the offshore wind CGU. The Group recorded goodwill and other intangible assets in the Offshore wind CGU with a carrying value of £21.5m as at 30 September 2022 (2021: £22.2m).</p>	<p>completed contracts to original forecasts;</p> <ul style="list-style-type: none"> • Testing a sample of contracts held by the group and recalculate the revenue that should have been recognised and revenue that should have been accrued or deferred in the year; • Recalculating the year-end deferred income balance based on management's schedules, and performing procedures on a sample basis to ensure schedules were complete and accurate; • Selecting a sample from sales made around the year end and determined whether cut off points identified are appropriate; and • Testing a sample of credit notes raised throughout the year and post year end to ensure revenue is not being artificially inflated at the year end. Where we identify unusual credit notes, we tested them to supporting evidence. <p>Our results Based on our audit work performed, we have not identified any material misstatements relating to the revenue recognition.</p> <p>In responding to the key audit matter, we performed the following audit procedures on the CGU's identified:</p> <ul style="list-style-type: none"> • Assessing management's assessment of the CGU's and the assignment of assets to those CGU's; • Assessing management's workings for the annual impairment review to determine those CGU's that are most at risk and include the most judgment. This was those with limited headroom, significant growth or high susceptibility to changes in assumptions; • Assessing and challenging management's impairment model to ensure appropriate costs and expenses are included and excluded, and that cash flows included in the model are appropriate when taking into consideration global macro factors including, but not limited to supply chain delays, the impact of inflation and the UK economic outlook; • Recalculating and challenging the implied growth rates included in the model by comparing the actual results to historical forecasting, evidencing accuracy; • Performing sensitivity analysis on management's impairment model and own sensitivities;

Key Audit Matter – Group

How our scope addressed the matter – Group

Relevant disclosures in the Annual Report and Accounts 2022

- Financial statements: Note 11 Goodwill and Other Intangible
- Audit committee report: Significant issues considered in relation to the financial statements

Disclosure of Contingent liabilities

We identified the disclosure of contingent liabilities as one of the most significant assessed risks of material misstatement due to error. Following the receipt of defect notices on 8 historical contracts, management have considered the existence of a contingent liability to be appropriate.

No provision has been recorded within the financial statements in relation to this as management consider there to be no present obligation. However, disclosure has been made in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' relating to the existence of a contingent liability.

The assessment of whether the requirements of IAS 37 have been appropriately applied requires significant judgement by management.

Relevant disclosures in the Annual Report and Accounts 2022

- Financial statements: Note 20 Contingent liabilities
- Audit committee report: Significant issues considered in relation to the financial statements

- Engaging our Valuations team to assess the appropriateness of the discount rate included in management's impairment model; and
- Assessing whether the disclosure included for the headroom sensitivities is appropriate and assessing whether the accounting policy is in line with IAS 36.

Our results

From our audit work performed we are satisfied with management's judgement that the goodwill is held at an appropriate value in use and intangible assets are not materially impaired.

In responding to the key audit matter, we performed the following audit procedures on the disclosure of the contingent liabilities:

- Making enquiries of management and the group's internal and external legal advisors to understand and assess management's conclusion in relation to the nature of the matter and obligations of the Group;
- Evaluating management's assessment of the defect notices received by agreeing the facts in management's paper to supporting evidence;
- Challenging management's interpretation of information used in assessing the disclosures made with supporting evidence;
- Obtaining and reading the reports of external experts and internal experts to determine whether the assessment made was consistent with the reports; and
- Considering management's application of the requirements of IAS 37 and the adequacy of the disclosure.

Our results

From our audit work performed we are satisfied with management's disclosure and its compliance with IAS 37.

Key Audit Matter – Parent

How our scope addressed the matter – Parent

Impairment of investments in subsidiaries

We identified Impairment of investments in subsidiaries for Tekmar Group plc as one of the most significant assessed risks of material misstatement due to error.

There is an increased risk that the valuation of investments in subsidiaries are impaired as per IAS 36 because of the underperformance of the group in the year and the high level of estimation

In responding to the key audit matter, we performed the following audit procedures on the impairment of investments:

- Obtaining and reading management's assessment of whether there are indicators of impairment in the investments held to assess compliance with IAS 36;

Key Audit Matter – Parent

How our scope addressed the matter – Parent

uncertainty in assessing the future performance of the group using operating cash flows and long-term growth rates and also in assessing the appropriate discount rate to apply in calculating the recoverable amounts of the investments.

We note the market capitalisation of the group is lower than the value attributed to the investments and as such, an impairment indicator is present. Management are therefore required to perform a value in use calculation for these assets.

As at 30 September 2022 the Company has total investments of £37.0m (2021: £37.1m).

- Testing management’s workings for the value in use of the investments. We tested the model to ensure appropriate costs and expenses are included and excluded, and that cash flows included in the model are appropriate when taking into consideration impacts from the economy such as inflation;
- Recalculating and challenged the implied growth rates included in the model by comparing the actual results to historical forecasting, evidencing accuracy;
- Performing sensitivity analysis on management’s impairment model and own sensitivities; and
- Engaging our Valuations team to assess the appropriateness of the discount rate included in management’s impairment model.

Relevant disclosures in the Annual Report and Accounts 2022

- Parent company financial statements: Note 3 Investment in Subsidiary Undertakings
- Audit committee report: Significant issues considered in relation to the financial statements

Our results

From our audit work performed we are satisfied with management’s judgement that the investments are held at an appropriate value and are not materially impaired.

Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor’s report.

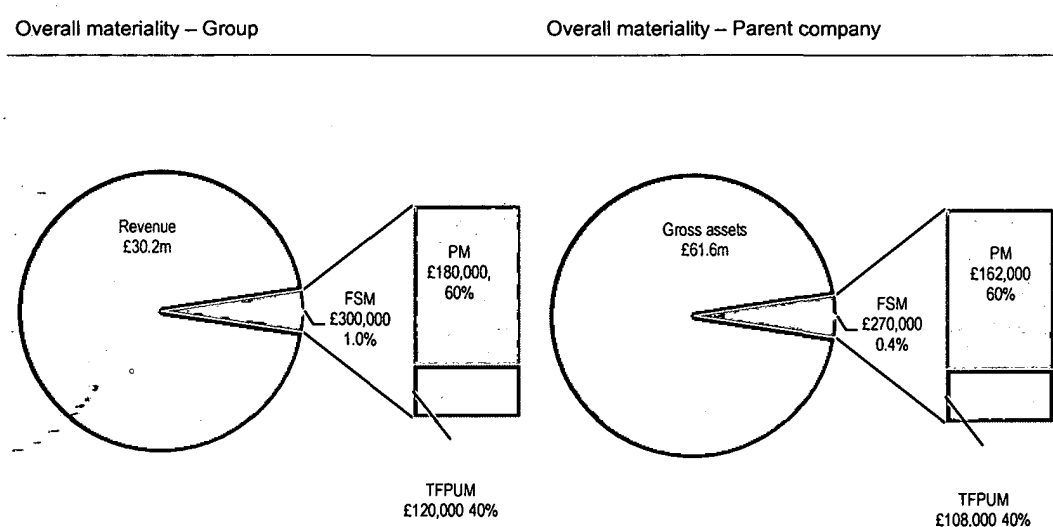
Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£300,000, which is approximately 1.0% of the group’s revenue.	£270,000, which is approximately 0.4% of the parent company’s gross assets, capped at 90% of group materiality.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: <ul style="list-style-type: none"> • The metrics most relevant to the users of the financial statements which was determined to be revenue following the review of 	In determining materiality, we made the following significant judgements: <ul style="list-style-type: none"> • The metrics most relevant to the users of the financial statements which was determined to be

Materiality measure	Group	Parent company
	<p>broker report and the previous financial statements;</p> <ul style="list-style-type: none"> Whether the metric has been materially influenced by matters such as economic uncertainty or changes in the marketplace; and This benchmark is considered the most appropriate because of the stability of revenue compared to the profit before tax. <p>Materiality for the current year is lower than the level that we determined for the period ended 30 September 2021 to reflect reduction in group revenue and shorter accounting period.</p>	<p>gross assets for the parent entity;</p> <ul style="list-style-type: none"> Whether the metric has been materially influenced by matters such as economic uncertainty or changes in the marketplace; and This benchmark is considered the most appropriate because the parent company is a holding company. <p>Materiality for the current year is lower than the level that we determined for the period ended 30 September 2021 to reflect reduction of group materiality.</p>
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£180,000, which is 60% of financial statement materiality.	£162,000, which is 60% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	<p>In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> The quantum and number of errors identified in the prior year audit were consistent with the prior year calculated threshold and significant enough for us to not consider increasing the performance materiality basis. Changes in management and ongoing sales process. 	<p>In determining performance materiality, we made the following significant judgements:</p> <ul style="list-style-type: none"> The quantum and number of errors identified in the prior year audit were consistent with the prior year calculated threshold and significant enough for us to not consider increasing the performance materiality basis. Changes in management and ongoing sales process.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	<p>We determined a lower level of specific materiality for the following areas:</p> <ul style="list-style-type: none"> Directors' remuneration; and Related party transactions. 	<p>We determined a lower level of specific materiality for the following areas:</p> <ul style="list-style-type: none"> Directors' remuneration; and Related party transactions.

Materiality measure	Group	Parent company
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£15,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£13,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

Understanding the group, its components, and their environments, including group-wide controls

- We obtained an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level; and
- We obtained an understanding of the effect of the group organisational structure on the scope of the audit, for example, the level of centralisation of the group control function and the use of service organisations.

Identifying significant components

- We evaluated the identified components to assess their significance and determined the planned audit response based on a measure of materiality. Significance was determined as a percentage of the group's total revenue, profit before tax and total assets as well as considering qualitative factors, such as a component's specific nature or circumstances; and
- For four components we responded with a full-scope audit of their financial information. For the remaining nine components we performed analytical procedures.

Performance of our audit

- All KAMs were addressed with the full-scope audit procedures where relevant to the component;
- We performed the full-scope audits across the components in line with the scope described. We engaged with one component auditor to provide support to the group engagement team in the UK;
- We communicated with the component auditor to ensure that the group approach was understood and adopted locally, that the work performed was to an appropriate standard and appropriately addressed the key audit matters as appropriate.

Audit approach	Number of components	% coverage Revenue	% coverage Loss before tax
Full-scope audit	4	95	108
Specified audit procedures	-	-	-
Analytical procedures	9	5	(8)
Total	13	100	100

Other information

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

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

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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

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

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

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

Responsibilities of directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and the parent company and determined that the most significant are applicable law and UK-adopted international accounting standards (for the group), United Kingdom Generally Accepted Accounting Practice (for the parent company) and relevant tax regulations.
- We obtained an understanding of the legal and regulatory frameworks applicable to the company and the industry in which it operates through our general and commercial and sector experience, discussions with management, inspection of the company's health and safety records and legal correspondence. We also discussed the relevant frameworks with company legal advisors as appropriate. We obtained an understanding of how the company is complying with those legal and regulatory frameworks by making inquiries of management and of those responsible for legal and compliance procedures. We corroborated our inquiries through our review of board minutes.
- Our audit procedures involved: journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business; enquiries of legal counsel, group management, component management at locations where full scope audit procedures and specified audit procedures were performed. In addition, we completed audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements. We assessed the susceptibility of the group's and the parent company's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - journal entries that increased revenues or that reclassified costs from the income statement to the balance sheet that are posted by senior finance personnel;

- potential management bias in determining accounting estimates, especially in relation to their assessment of the valuation of intangible assets; and
- transactions with related parties outside the normal course of business.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team including consideration of the engagement team's:
 - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the industry in which the group and the parent company operate; and
 - understanding of the legal and regulatory requirements specific to the group and the parent company.
- We had team communications in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in revenue recognition through manipulation of deferred income.
- We made enquiries of the one component auditor, and requested that they confirm to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements.

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

Use of our report

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

Grant Thornton UK LLP

Victoria McLoughlin
 Senior Statutory Auditor
 for and on behalf of Grant Thornton UK LLP
 Statutory Auditor, Chartered Accountants
 Leeds
 14 March 2023

Consolidated statement of comprehensive income for the year ended 30 September 2022

	Note	12M ended 30 Sep 2022 £000	18M ended 30 Sep 2021 £000
Revenue	4	30,191	47,034
Cost of sales	6	(23,153)	(35,794)
Gross profit		7,038	11,240
Administrative expenses	6	(11,623)	(16,721)
Other operating income		24	48
Group operating (loss)		(4,561)	(5,433)
Analysed as:			
Adjusted EBITDA ^[1]	4	(2,079)	(2,115)
Depreciation	12	(1,370)	(2,031)
Amortisation	11	(1,112)	(1,651)
Exceptional Share based payments charges	24	-	364
Group operating (Loss)		(4,561)	(5,433)
Finance costs		(685)	(402)
Finance income		18	5
Net finance costs	7	(667)	(397)
(Loss) before taxation		(5,228)	(5,830)
Taxation	9	99	394
(Loss) for the period		(5,129)	(5,436)
Equity-settled share-based payments		(97)	(164)
Revaluation of property		238	-
Retranslation of overseas subsidiaries		326	(153)
Total comprehensive income for the period		(4,662)	(5,753)
(Loss) attributable to owners of the parent		(5,129)	(5,436)
Total Comprehensive income attributable to owners of the parent		(4,662)	(5,753)
(Loss) per share (pence)			
Basic	10	(9.04)	(10.60)
Diluted	10	(9.04)	(10.60)

All results derive from continuing operations.

1: Adjusted EBITDA, which is defined as profit before net finance costs, tax, depreciation, amortisation, exceptional share based payments charge, and exceptional items is a non-GAAP metric used by management and is not an IFRS disclosure.

Consolidated balance sheet

as at 30 September 2022

	Note	30 Sep 2022 £000	30 Sep 2021 £000
Non-current assets			
Property, plant and equipment	12	5,883	5,696
Goodwill and other intangibles	11	24,564	25,307
Total non-current assets		30,447	31,003
Current assets			
Inventory	14	4,623	3,966
Trade and other receivables	15	13,375	17,971
Cash and cash equivalents	16	8,496	3,482
Total current assets		26,494	25,419
Total assets		56,941	56,422
Equity and liabilities			
Share capital	22	609	516
Share premium		67,653	64,097
Merger relief reserve		1,738	1,738
Merger reserve		(12,685)	(12,685)
Foreign currency translation reserve		173	(153)
Retained losses		(18,278)	(13,290)
Total equity		39,210	40,223
Non-current liabilities			
Other interest-bearing loans and borrowings	18	194	3,183
Trade and other payables	17	331	343
Deferred tax liability	19	313	125
Total non-current liabilities		838	3,651
Current liabilities			
Other interest-bearing loans and borrowings	18	7,198	3,160
Trade and other payables	17	9,669	9,121
Corporation tax payable		26	267
Total current liabilities		16,893	12,548
Total liabilities		17,731	16,199
Total equity and liabilities		56,941	56,422

The Group financial statements were approved by the Board and authorised for issue on 14 March 2023 and were signed on its behalf by:

Alasdair Macdonald

Alasdair Macdonald
Chief Executive Officer
Company registered number: 11383143

Consolidated statement of changes in equity

for the year ended 30 September 2022

	Share capital	Share premium	Merger relief reserve	Merger reserve	Foreign currency translation reserve	Retained earnings	Total equity attributable to owners of the parent	Total equity
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2020	513	64,100	1,738	(12,685)	-	(7,690)	45,976	45,976
Loss for the year	-	-	-	-	-	(5,436)	(5,436)	(5,436)
Share based payments	-	-	-	-	-	(164)	(164)	(164)
Exchange difference on translation of overseas subsidiary	-	-	-	-	(153)	-	(153)	(153)
Total comprehensive income for the year	-	-	-	-	(153)	(5,600)	(5,753)	(5,753)
Issue of shares	3	(3)	-	-	-	-	-	-
Total transactions with owners, recognised directly in equity	3	(3)	-	-	-	-	-	-
Balance at 30 September 2021	516	64,097	1,738	(12,685)	(153)	(13,290)	40,223	40,223
(Loss) for the Period	-	-	-	-	-	(5,129)	(5,129)	(5,129)
Share based payments	-	-	-	-	-	(97)	(97)	(97)
Revaluation of fixed assets	-	-	-	-	-	238	238	238
Exchange difference on translation of overseas subsidiary	-	-	-	-	326	-	326	326
Total comprehensive income for the year	-	-	-	-	326	(4,988)	(4,662)	(4,662)
Issue of shares	93	3,556	-	-	-	-	3,649	3,649
Total transactions with owners, recognised directly in equity	93	3,556	-	-	-	-	3,649	3,649
Balance at 30 September 2022	609	67,653	1,738	(12,685)	173	(18,278)	39,210	39,210

Consolidated cash flow statement

for the year ended 30 September 2022

	12M ended 30 Sep 2022	18M Ended 30 Sep 2021
	£000	£000
Cash flows from operating activities		
(Loss) before taxation	(5,228)	(5,830)
Adjustments for:		
Depreciation	1,370	2,031
Amortisation of intangible assets	1,112	1,651
Share based payments charge	(103)	(135)
Finance costs	685	402
Finance income	(18)	(5)
	<u>(2,182)</u>	<u>(1,886)</u>
Changes in working capital:		
(Increase) in inventories	(658)	(1,429)
Decrease / (increase) in trade and other receivables	4,561	8,847
(Decrease) / increase in trade and other payables	178	(6,954)
Cash (used in) / generated from operations	<u>1,899</u>	<u>(1,422)</u>
Tax recovered	-	240
Net cash (outflow) / inflow from operating activities	<u>1,899</u>	<u>(1,182)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,274)	(1,840)
Purchase of intangible assets	(369)	(664)
Proceeds on sale of property, plant and equipment	-	5
Interest received	18	5
Net cash (outflow) from investing activities	<u>(1,625)</u>	<u>(2,494)</u>
Cash flows from financing activities		
Facility drawdown	991	6,052
Lease Obligation borrowings	656	247
Repayment of borrowings under Lease obligations	(537)	(770)
Shares issued	3,649	-
Interest paid	(345)	(348)
Net cash inflow from financing activities	<u>4,414</u>	<u>5,181</u>
Net increase in cash and cash equivalents	4,688	1,505
Cash and cash equivalents at beginning of year	3,482	2,130
Effect of foreign exchange rate changes	326	(153)
Cash and cash equivalents at end of year	<u>8,496</u>	<u>3,482</u>

Notes to the Group financial statements

for the year ended 30 September 2022

1. GENERAL INFORMATION

Tekmar Group plc (the "Company") is a public limited company incorporated and domiciled in England and Wales. The registered office of the Company is Innovation House, Centurion Way, Darlington, DL3 0UP. The registered company number is 11383143.

The principal activity of the Company and its subsidiaries (together the "Group") is that of design, manufacture and supply of subsea stability and protection technology, including associated subsea engineering services, operating across the global offshore energy markets, predominantly Offshore Wind.

Forward looking statements

Certain statements in this Annual report are forward looking. The terms "expect", "anticipate", "should be", "will be" and similar expressions identify forward-looking statements. Although the Board of Directors believes that the expectations reflected in these forward-looking statements are reasonable, such statements are subject to a number of risks and uncertainties and events could differ materially from those expressed or implied by these forward-looking statements.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's principal accounting policies have been applied consistently to all of the years presented, with the exception of the new standards applied for the first time as set out in paragraph (c) below where applicable.

(a) Basis of preparation

The results for the year ended 30 September 2022 have been prepared in accordance with UK-adopted International Accounting Standards ("IFRS"). The financial statements have been prepared on the going concern basis and on the historical cost convention modified for the revaluation of certain financial instruments. The comparative period represents 18 months from 1 April 2020 to 30 September 2021.

Tekmar Group plc ("the Company") has adopted all IFRS in issue and effective for the year.

(b) Going concern

The Group meets its day-to-day working capital requirements through its available banking facilities which includes a CBILs loan of £3.0m currently available to 31 October 2023 and a trade loan facility of up to £4.0m that can be drawn against supplier payments, currently available to 31 July 2023. The latter is provided with support from UKEF due to the nature of the business activities both in renewable energies and in driving growth through export lead opportunities. The Group held £8.5m of cash at 30 September 2022 including full draw down of the £3.0m CBILs loan and a further £4.0m of the trade loan facility. There are no financial covenants that the Group must adhere to in either of the bank facilities.

The Directors have prepared cash flow forecasts to 30 September 2024. The base case forecasts include assumptions for annual revenue growth supported by current order book, known tender pipeline, and by publicly available market predictions for the sector. The forecasts also assume a retention of the costs base of the business with increases of 5% on salaries and a cautious recovery of gross margin on contracts. These forecasts show that the Group is expected to have a sufficient level of financial resources available to continue to operate on the assumption that the two facilities described are renewed. Within the base case model management have not modelled anything in relation to the matter set out in note 20 Contingent Liabilities, as management have assessed there to be no present obligation.

The Directors have sensitised their base case forecasts for a severe but plausible downside impact. This sensitivity includes reducing revenue by 15% for the period to 30 September 2024, including the loss or delay of a certain level of contracts in the pipeline that form the base case forecast, and a 10% increase in costs across the Group as a whole for the same period. The base case and sensitised forecast also includes discretionary spend on capital outlay. In addition, the Directors note there is further discretionary spend within their control which could be cut, if necessary, although this has not been modelled in the sensitised case given the headroom already available. These sensitivities have been modelled to give the Directors comfort in adopting the going concern basis of preparation for these financial statements. Further to this, a 'reverse stress test' was performed

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

to determine at what point there would be a break in the model, the reverse stress test included reducing revenue by 20% and increasing overheads by 15% against the base case. The inputs applied to the reverse stress are not considered plausible.

Facilities - Within both the base case and severe but plausible case, management have assumed the renewal of both the CBILS loan and trade loan facility in October 2023 and July 2023 respectively. In the unlikely case that the facilities are not renewed, the Group would aim to take a number of co-ordinated actions designed to avoid the cash deficit that would arise. The Group announced a sales process in June 2022. This could have the impact of triggering change in ownership clauses in the facilities which again, would remove the required funding. The directors do not believe this would happen based on current communications.

The Directors are confident, based upon the communications with the team at Barclays, the historical strong relationship and recent bank facility renewal in November 2022, that these facilities will be renewed and will be available for the foreseeable future. However, as the renewal of the two facilities in October 2023 and July 2023 are yet to be formally agreed and the Group's forecasts rely on their renewal, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and parent company's ability to continue as a going concern.

The Directors are satisfied that, taking account of reasonably foreseeable changes in trading performance and on the basis that the bank facilities are renewed, these forecasts and projections show that the Group is expected to have a sufficient level of financial resources available through current facilities to continue in operational existence and meet its liabilities as they fall due for at least the next 12 months from the date of approval of the financial statements and for this reason they continue to adopt the going concern basis in preparing the financial statements.

(c) New standards, amendments and interpretations

The new standards, amendments or interpretations issued in the year, with which the Group has to comply with, have not had a significant effect impact on the Group. There are no standards endorsed but not yet effective that will have a significant impact going forward.

(d) Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date control ceases. Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

(e) Revenue

Revenue (in both the offshore energy and the marine civils markets) arises from the supply of subsea protection solutions and associated equipment, principally through fixed fee contracts. There are also technical consultancy services delivered through subsea energy.

To determine how to recognise revenue in line with IFRS 15, the Group follows a 5-step process as follows:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when / as performance obligation(s) are satisfied

Revenue is measured at transaction price, stated net of VAT and other sales related taxes.

Revenue is recognised either at a point in time, or over-time as the Group satisfies performance obligations by transferring the promised services to its customers as described below.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

i) Fixed-fee contracted supply of subsea protection solutions

For the majority of revenue transactions, the Group enters individual contracts for the supply of subsea protection solutions, generally for a specific project in a particular geographic location. Each contract generally has one performance obligation, to supply subsea protection solutions. When the contracts meet one or more of the criteria within step 5, including the right to payment for the work completed, including profit should the customer terminate, then revenue is recognised over time. If the criteria for recognising revenue over time is not met, revenue is recognised at a point in time, normally on the transfer of ownership of the goods to the customer.

For contracts where revenue is recognised over time, an assessment is made as to the most accurate method to estimate stage of completion. This assessment is performed on a contract by contract basis to ensure that revenue most accurately represents the efforts incurred on a project. For the majority of contracts this is on an inputs basis (costs incurred as a % of total forecast costs).

There are also contracts which include the manufacture of a number of separately identifiable products. In such circumstances, as the deliverables are distinct, each deliverable is deemed to meet the definition of a performance obligation in its own right and do not meet the definition under IFRS of a series of distinct goods or services given how substantially different each item is. Revenue for each item is stipulated in the contract and revenue is recognised over time as one or more of the criteria for over time recognition within IFRS 15 are met. Generally for these items; an output method of estimating stage of completion is used as this gives the most accurate estimate of stage of completion. On certain contracts variation orders are received as the scope of contract changes, these are review on a case-by-case basis to ensure the revenue for these obligations is appropriately recognised.

In all cases, any advance billings are deferred and recognised as the service is delivered.

ii) Manufacture and distribution of ancillary products, equipment.

The Group also receives a proportion of its revenue streams through the sale of ancillary products and equipment. These individual sales are formed of individual purchase orders for which goods are ordered or made using inventory items. These items are recognised on a point in time basis, being the delivery of the goods to the end customer.

iii) Provision of consultancy services

The entities within the offshore energy division also provide consultancy based services whereby engineering support is provided to customers. These contracts meet one or more of the criteria within step 5, including the right to payment for the work completed, including profit should the customer terminate. Revenue is recognised over time on these contracts using the inputs method.

Accounting for revenue is considered to be a key accounting judgement which is further explained in note 3.

(f) EBITDA and Adjusted EBITDA

Earnings before Interest, Taxation, Depreciation and Amortisation (“EBITDA”) and Adjusted EBITDA are non-GAAP measures used by management to assess the operating performance of the Group. EBITDA is defined as profit before net finance costs, tax, depreciation and amortisation. Exceptional items and share based payment charges in relation to IPO share options are excluded from EBITDA to calculate Adjusted EBITDA.

The Directors primarily use the Adjusted EBITDA measure when making decisions about the Group’s activities. As these are non-GAAP measures, EBITDA and Adjusted EBITDA measures used by other entities may not be calculated in the same way and hence are not directly comparable.

(g) Exceptional costs

The Group presents as exceptional costs on the face of the income statement, those significant items of expense, which, because of their size, nature and infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the underlying financial performance in the period, so as to facilitate comparison with prior years and assess trends in financial performance more readily.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(h) Foreign currency

Transactions in foreign currencies are translated into the Group's presentational currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Foreign exchange differences arising on translation are recognised in profit or loss.

(i) Classification of instruments issued by the Group

Instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the items are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

(j) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Properties whose fair value can be measured reliably are held under the revaluation model and are carried at a revalued amount, being fair value at the date of valuation less any subsequent accumulated depreciation and subsequent impairment losses. The fair value of land and building is considered to be their market value.

Revaluation gains and losses are recognised in other comprehensive income and accumulated in equity, except to the extent that a revaluation gain reverses a revaluation loss previously recognised in profit or loss, or a revaluation loss exceeds the accumulated revaluation gains recognised in equity; such gains and losses are recognised in profit or loss. The latest valuation was carried out on 25 August 2022.

Leased property is accounted for as a "right-of-use" asset under IFRS 16 Leases. The initial value of a right-of-use asset is determined by the value of the lease liability.

Depreciation

Depreciation is charged to profit or loss over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation is provided on the following basis:

Freehold property	50 years straight line
Leasehold improvements	Over the life of the lease
Containers and racking	4 years straight line
Plant and equipment	6 years reducing balance or 15–25% straight line
Production tooling	3 years straight line
Fixtures & fittings	4 years straight line
Motor vehicles	4 years reducing balance or straight line
Computer equipment	4 years straight line

It has been assumed that all assets will be used until the end of their economic life.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(k) Intangible assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Identifiable intangibles are those which can be sold separately, or which arise from legal or contractual rights regardless of whether those rights are separable and are initially recognised at fair value. Other identified

Intangible assets include customer relationships and brands. These are amortised on a straight-line basis over the useful economic lives, which are estimated to be 3 and 10 years respectively.

Goodwill is stated at cost less any accumulated impairment losses. In cases where the fair value of the net identifiable assets exceeds the cost of acquisition, negative goodwill arises which is recorded immediately in the income statement. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Research and Product Development costs

Research costs are charged to the income statement in the year in which they are incurred and are presented within operating expenses. Internal development costs that are incurred during the development of significant and separately identifiable new technology are capitalised when the following criteria are met:

- It is technically feasible to complete the technological development so that it will be available for use;
- Management intends to complete the technological development and use or sell it;
- It can be demonstrated how the technological development will develop probable future economic benefits;
- Adequate technical, financial, and other resources to complete the development and to use or sell the product are available; and
- Expenditure attributable to the technological product during its development can be reliably measured.

Capitalised development costs include costs of materials and direct labour costs. Internal costs that are capitalised are limited to incremental costs specific to the project.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred and presented within operating expenses, together with any amortisation which is charged to the income statement on a straight-line basis over the estimated useful lives of product development intangible assets of 2-5 years.

Computer software

Computer software purchased separately, that does not form an integral part of related hardware, is capitalised at cost.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives and is presented within operating expenses. The useful life of computer software is 3 years.

(l) Impairment

Goodwill is not amortised but is reviewed for impairment at least annually. Intangible assets which are not yet available for use are tested for impairment annually. For other assets, the recoverable amount is only estimated when there is an indication that an impairment may have occurred. The recoverable amount is the higher of fair value less costs to sell and value in use.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

(m) Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is calculated on a first in first out basis and includes the cost of acquiring raw materials. Provision is made for any foreseeable losses where appropriate.

(n) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss as incurred.

(o) Provisions and contingent liabilities

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability is a disclosure in the notes to the financial statements only.

As part of our normal contractual terms, warranties are issued to customers. No provision is recognised in relation to this due to there being no history of claims in this area.

(p) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

The lease liability is initially measured at the present value of lease payments that were not paid at the commencement date, discounted using the Group's incremental borrowing rate.

The lease liability is measured at amortised cost using the effective interest method. If there is a remeasurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded directly in profit or loss if the carrying amount of the right of use asset is zero.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of less than 12 months or leases of low value assets. These lease payments are expensed on a straight-line basis over the lease term.

(q) Net financing costs

Net financing costs comprise interest payable and interest receivable on funds invested. Interest income and interest payable are recognised in profit or loss as they accrue using the effective interest method.

(r) Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in other comprehensive income or in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except to the extent that it arises on:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination;
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank borrowings that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

(t) Financial instruments

Financial assets

Non-derivative financial assets are classified as either financial assets at amortised cost, fair value through profit or loss and fair value through other comprehensive income. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. The basis of classification depends on the Group's business model and the contractual cash flow characteristics of the financial asset. All financial assets of the Group are held at amortised cost, which the exception of derivative financial instruments which are held at FVTPL.

Financial assets include trade and other receivables and cash and cash equivalents. Trade and other receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are initially recorded at transaction price and thereafter are measured at amortised cost using the effective interest rate. A loss allowance for expected credit losses on trade and other receivables and contract assets is measured at an amount equal to the lifetime expected credit losses. Lifetime expected credit losses are the expected credit losses that will result from all possible default events over the expected life of a financial instrument. This assessment is performed on a collective basis considering forward-looking information. The Group considers a financial asset to be in default when the receivable is unlikely to pay its credit obligations to the Group in full without recourse by the Group to actions such as realising security (if any is held); or the financial asset is more than 120 days old.

Financial liabilities

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method. The Group's borrowings, finance leases, trade and most other payables fall into this category of financial instruments.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the year of the borrowings on an effective interest basis.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and are initially recorded at fair value and thereafter at amortised cost using the effective interest rate method.

Financial derivatives

The Group uses derivative financial instruments to hedge its exposure to risks arising from operational activities, principally foreign exchange risk. In accordance with treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. The Group does not hedge account for these items. Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists. At certain times the Group has foreign currency forward contracts that fall into this category. Movement in fair value is recognised in profit and loss.

(u) Contract assets

Contract assets represent the gross unbilled amount for contract work performed to date, calculated by way of units assembled using either the input or output method – refer policy (e). They are presented as part of “trade and other receivables” in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as “accruals and contract liabilities” in the balance sheet.

(v) Segmental reporting

The Group reports its business activities across Offshore Energy and Marine Civils and this is reported in a manner consistent with the internal reporting to the Board of Directors, which has been identified as the chief operating decision maker. The Board of Directors consists of the Executive Directors and the Non-Executive Directors. Project performance is also monitored by both business entities and by Offshore Wind and Subsea markets to provide differing perspectives.

(w) Share capital

Share capital represents the nominal value of shares that have been issued.

(x) Share premium

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

(y) Merger reserve and Merger relief reserve

The merger reserve and the merger relief reserve were created as a result of the share for share exchange under which Tekmar Group plc became the parent undertaking prior to the IPO. Under merger accounting principles, the assets and liabilities of the subsidiaries were consolidated at book value in the Group financial statements and the consolidated reserves of the Group were adjusted to reflect the statutory share capital, share premium and other reserves of the Company as if it had always existed, with the difference presented as the merger reserve.

The Merger relief reserve was created on acquisition of Pipeshield International Limited and Subsea Innovation Limited as a result of part of the consideration being settle in equity of the plc.

(z) Translation reserve

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 statement of financial position date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity. On consolidation, the results of overseas operations are translated into pounds sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the statement of financial position date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised directly in other comprehensive income and are credited/(debited) to the translation reserve.

(aa) Own shares held by ESOP trust

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

Transactions of the Group-sponsored ESOP trust are treated as being those of the Group and are therefore reflected in the financial statements. In particular, the trust's purchases and sales of shares in the Group are debited and credited to equity.

(bb) Retained earnings

Retained earnings includes all current and prior year retained profits and losses.

(ab) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in the income statement so as to match them with the related expenses that they are intended to compensate.

Grants that relate to capital expenditure are included within accruals and contract liabilities in the balance sheet and credit to the income statement over the expected useful lives of the assets to which they relate or in years to which the related costs are incurred.

The Group has received Government grants in relation to the Coronavirus Job Retention Scheme (CJRS) provided by the UK Government in response to COVID-19's impact on business. The Group has elected to account for these Government grants within administrative expenses, rather than to show these separately as other operating income.

(ac) Share based payments

The Group operates equity-settled share-based remuneration plans for certain employees. None of the Group's plans are cash-settled. All goods and services received in exchange for the grant of any share-based payment are measured at their fair values.

Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to retained earnings. If vesting years or other vesting conditions apply, the expense is allocated over the vesting year, based on the best available estimate of the number of share options expected to vest.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group financial statements under IFRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The Directors consider that the following estimates and judgements are likely to have the most significant effect on the amounts recognised in the Group financial statements.

(a) Critical judgements in applying the entity's accounting policies

Revenue recognition

Judgement is applied in determining the most appropriate method to apply in respect of recognising revenue over-time as the service is performed using either the input or output method. Further details on how the policy is applied can be found in note 2(e).

Product development capitalisation

As described in note 2, Group expenditure on development activities is capitalised if it meets the criteria as per IAS 38. Management have exercised and applied judgement when determining whether the criteria of IAS 38 is satisfied in relation to development costs. As part of this judgement process, management establish the future Total Addressable Market relating to the product or process, evaluate the operational plans to complete the product or process and establish where the development is positioned on the Group's technology road map and assess the costs against IAS 38 criteria. This process involves input from the Group's Chief Technical Officer plus

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

the operational, financial and commercial functions and is based upon detailed project cost analysis of both time and materials.

(b) Critical accounting estimates

Revenue recognition – stage of completion when using input method

Revenue on contracts is recognised based on the stage of completion of a project, which, when using the input method, is measured as a proportion of costs incurred out of total forecast costs. Forecast costs to complete each project are therefore a key estimate in the financial statements and can be inherently uncertain due to changes in market conditions. For the partially complete projects in Tekmar Energy at year end if the percentage completion was 1% different to management's estimate the revenue impact would be £106,590. Within Subsea Innovation and Pipeshield International there were a number of projects in progress over the year end and a 1% movement in the estimate of completion would impact revenue in each by £5,720 and £39,100 respectively. However, the likelihood of errors in estimation is small, as the businesses have a history of reliable estimation of costs to complete and given the nature of production, costs to complete estimate are relatively simple.

Recoverability of contract assets and receivables

Management judges the recoverability at the balance sheet date and makes a provision for impairment where appropriate. The resultant provision for impairment represents management's best estimate of losses incurred in the portfolio at the balance sheet date, assessed on the customer risk scoring and commercial discussions. Further, management estimate the recoverability of any AROC balances relating to customer contracts. This estimate includes an assessment of the probability of receipt, exposure to credit loss and the value of any potential recovery. Management base this estimate using the most recent and reliable information that can be reasonably obtained at any point of review. Given the groups historic recoverability of 100% of receivable balances, no provision for bad debts or credit losses have been accounted for. A material change in the facts and circumstances could lead to a reversal of impairment proportional to the expected cash inflows supported by this information.

Impairment of Non-Current assets

Management conducts annual impairment reviews of the Group's non-current assets on the consolidated statement of financial position. This includes goodwill annually, development costs where IAS 36 requires it, and other assets as the appropriate standards prescribe. Any impairment review is conducted using the Group's future growth targets regarding its key markets of offshore energy and marine civils. Sensitivities are applied to the growth assumptions to consider any potential long-term impact of current economic conditions, such as the impact caused by the COVID-19 pandemic. Provision is made where the recoverable amount is less than the current carrying value of the asset. Further details as to the estimation uncertainty and the key assumptions are set out in note 11.

4. REVENUE AND SEGMENTAL REPORTING

Management has determined the operating segments based upon the information provided to the executive Directors which is considered the chief operation decision maker. The Group is managed and reports internally by business division and market for the year ended 30 September 2022.

Major customers

In the year ended 30 September 2022 there was one major customer within the marine civils segment that individually accounted for at least 10% of total revenues (2021: one customer). The revenues relating to these in the year to 30 September 2022 were £7,243,000 (2021: £7,123,000). Included within this is revenue from multiple projects with different entities within the group.

Analysis of revenue by region	12M ending	18M ending
	30 Sep 2022	30 Sep 2021
	£000	£000
UK & Ireland	8,028	21,492
Germany	1,230	538
Turkey	499	-
Greece	409	-
Denmark	757	418
France	-	2,874
Other Europe	2,721	2,684
China	3,847	6,942
USA & Canada	674	4,375
Japan	561	1,580
Philippines	534	-
Qatar	8,716	-
KSA	509	3,245
Other Middle East	468	-
Rest of the World	1,238	2,886
	<u>30,191</u>	<u>47,034</u>

Analysis of revenue by market	12M ending	18M ending
	30 Sep 2022	30 Sep 2021
	£000	£000
Offshore Wind	14,705	26,899
Other offshore	15,486	20,135
	<u>30,191</u>	<u>47,034</u>

Analysis of revenue by product category	12M ending	18M ending
	30 Sep 2022	30 Sep 2021
	£000	£000
Offshore Energy protection systems & equipment	15,497	30,584
Marine Civils	12,734	13,196
Engineering consultancy services	1,960	3,254
	<u>30,191</u>	<u>47,034</u>

4. SEGMENTAL REPORTING (CONTINUED)

Analysis of revenue by recognition point

	12M ending 30 Sep 2022	18M ending 30 Sep 2021
	£000	£000
Point in Time	10,048	6,791
Over Time	20,143	40,243
	<u>30,191</u>	<u>47,034</u>

At 30 September 2022, the group had a total transaction price £15,488k (2021: £9,724k) allocated to performance obligations on contracts which were unsatisfied or partially unsatisfied at the end of the reporting period. The amount of revenue recognised in the reporting year to 30 September 22 which was previously recorded in contract liabilities was £1,168k (2021: £991k)

Profit and cash are measured by division and the Board reviews this on the following basis.

	Offshore Energy 2022 £000	Marine Civils 2022 £000	Group/ Eliminations £000	Total 2022 £000
Revenue	17,455	12,736	-	30,191
Gross profit	4,442	2,596	-	7,038
% Gross profit	25%	20%	-	23%
Operating (loss)/ profit	(3,405)	789	(1,945)	(4,561)
Analysed as:				
Adjusted EBITDA	(1,800)	1,060	(1,339)	(2,079)
Depreciation	(1,099)	(271)	-	(1,370)
Amortisation	(506)	-	(606)	(1,112)
Operating (loss)/ profit	(3,405)	789	(1,945)	(4,561)
Interest & similar expenses	(318)	(185)	(164)	(667)
Tax	(237)	175	161	99
(Loss) / profit after tax	(3,960)	779	(1,948)	(5,129)

	Offshore Energy 2022 £000	Marine Civils 2022 £000	Group/ Eliminations £000	Total 2022 £000
Other information				
Reportable segment assets	19,029	9,541	28,175	57,766
Reportable segment liabilities	(5,530)	(4,483)	(7,631)	(17,644)

5. EMPLOYEES AND DIRECTORS

(a) Staff numbers and costs

The average number of persons employed by the Group (including directors) during the period, analysed by category, was as follows:

	2022	2021
	No	No
Directors	7	5
Sales	9	9
Administration	48	41
Technical	58	69
Direct labour	54	63
	<u>176</u>	<u>187</u>

Staff costs for the Group during the period were:

	12M ending 30 Sep 2022	18M ending 30 Sep 2021
	£000	£000
Wages and salaries	8,140	11,967
Social security costs	857	1,219
Defined contribution pension cost	396	568
Share based payments (note 24)	(103)	205
	<u>9,290</u>	<u>13,959</u>

(b) Key management compensation

Key management of the Group is considered to be the Board of Directors. Remuneration paid to the Directors is as follows:

	12M ending 30 Sep 2022	18M ending 30 Sep 2021
	£000	£000
Short term benefits:		
Salaries including bonuses	766	1,023
Social security costs	46	116
Total short-term benefits	<u>812</u>	<u>1,139</u>
Post-employment benefits:		
Defined contribution pension plan	100	20
Total remuneration	<u>912</u>	<u>1,159</u>

Share options were awarded in the year, see note 24 for details of share option plans.

Director remuneration Name of Director	Basic salary / fees £000	Benefits £000	Social security £000	Bonus £000	Company Pension contributions £000	FY22 Total £000	FY21 Total £000
J Ritchie	-	-	-	-	-	-	174
S Hurst	71	-	13	-	90	174	343
A MacDonald	214	-	13	100	-	327	300
C Gill	27	-	1	-	-	28	63
J Brown	60	-	5	-	2	67	80
D Bulmer	182	-	11	60	7	260	62
I Ritchey	35	-	3	-	1	39	20
D Wilkinson	17	-	-	-	-	17	-

5. EMPLOYEES AND DIRECTORS (Continued)

Highest paid director

The aggregate remuneration of the highest paid Director was £314,000 (2021: £343,000), which includes pension contributions of £nil (2021: £11,000), and accrued bonus costs of £nil (2021: £276,000). The number of Directors accruing pension benefits under a defined contribution plan was four (2021: five).

6. EXPENSES BY NATURE

	12M ending 30 Sep 2022	18M ending 30 Sep 2021
	£000	£000
Employee benefit expense	9,290	13,959
Amortisation (note 11)	1,112	1,651
Depreciation – leased (note 12)	482	606
Depreciation – owned (note 12)	887	1,425
Inventory recognised as an expense	19,992	31,873
Other expenses	3,013	3,001
Total cost of sales and administrative expenses	34,776	52,515

7. NET FINANCE COSTS

	12M ending 30 Sep 2022	18M ending 30 Sep 2021
	£000	£000
Interest payable and similar charges		
On other loans	290	298
Fair value movement on forward foreign exchange contracts	395	104
Total interest payable and similar charges	685	402
Interest receivable and similar income		
Interest receivable	(18)	(5)
Total interest receivable and similar income	(18)	(5)
Net finance costs	667	397

Interest expense on lease liabilities was £17,401 (2021: £19,356).

8. AUDITORS' REMUNERATION

During the year the Group obtained the following services from the Company's auditors at costs as detailed below:

	12M ending 30 Sep 2022	18M ending 30 Sep 2021
	£000	£000
Fees payable to Company's auditor for the audit of the parent company financial statements	170	100
Fees payable to Company's auditor for other services:		
– The audit of Company's subsidiaries	78	69
– Other non-audit services	5	6
– Nominated advisor before being appointed as statutory auditor	-	34
	<u>253</u>	<u>203</u>

9. TAXATION

Analysis of credit in year	12M ending 30 Sep 2022	18M ending 30 Sep 2021
	£'000	£'000
Current tax		
Current taxation charge for the year	-	-
Adjustments in respect of prior periods	(245)	(18)
Total current tax	<u>(245)</u>	<u>(18)</u>
Deferred tax		
Origination and reversal of timing differences	146	(376)
Adjustments in respect of prior periods	-	-
Total deferred tax	<u>146</u>	<u>(376)</u>
Tax on (loss) on ordinary activities	<u>(99)</u>	<u>(394)</u>
Reconciliation of total tax credit:		
(Loss) on ordinary activities before tax	(5,228)	(5,830)
(Loss) on ordinary activities multiplied by the rate of corporation tax in the UK of 19% (2021: 19%)	(994)	(1,108)
Effects of:		
Non-deductible expenses	(10)	294
Non-taxable income	(168)	(147)
Enhanced R&D tax relief	(250)	(267)
Impact of unrecognised deferred tax assets	1,422	1,228
Effect of deferred tax	107	(376)
Adjustments in respect of previous periods	(245)	(18)
Effect of changes of tax rate in deferred tax	39	-
Total taxation credit	<u>(99)</u>	<u>(394)</u>

Factors that may affect future tax charges

Following the Governments announcement in October 2022 to increase the corporation tax rate to 25% from 19% with effect from April 2023, deferred tax has been calculated at a rate of 25%. Our expectation is that the Group will utilise its losses in future accounting periods at the higher rate.

10. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the earnings attributable to equity shareholders by the weighted average number of ordinary shares in issue. Diluted earnings per share are calculated by including the impact of all conditional share awards.

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

	12M ending 30 Sep 2022	18M ending 30 Sep 2021
Earnings (£'000)		
Earnings for the purposes of basic and diluted earnings per share being profit/(loss) for the year attributable to equity shareholders	(5,219)	(5,436)
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share	56,719,539	51,284,412
Weighted average dilutive effect of conditional share awards	968,399	1,545,392
Weighted average number of shares for the purposes of diluted earnings per share	57,687,938	52,829,804
Profit per ordinary share (pence)		
Basic profit per ordinary share	(9.04)	(10.60)
Diluted profit per ordinary share	(9.04)	(10.60)
Adjusted earnings per ordinary share (pence)*	(7.44)	(9.11)

The calculation of adjusted earnings per share is based on the following data:

	2022 £000	2021 £000
(Loss) for the period attributable to equity shareholders	(5,129)	(5,436)
Add back:		
Amortisation on acquired intangible assets	605	1,128
Share based payment on IPO and SIP at Admission	-	(364)
Tax effect on above	(12)	2
Adjusted earnings	(4,536)	(4,670)

*Adjusted earnings per share is calculated as profit for the period adjusted for amortisation as a result of business combinations, exceptional items, share based payments and the tax effect of these at the effective rate of corporation tax, divided by the closing number of shares in issue at the Balance Sheet date. This is the measure most commonly used by analysts in evaluating the business' performance and therefore the Directors have concluded this is a meaningful adjusted EPS measure to present.

11. GOODWILL AND OTHER INTANGIBLES

	Goodwill	Software	Product development	Trade name	Customer relationships	Total
	£000	£000	£000	£000	£000	£000
COST						
As at 1 April 2020	26,292	270	2,641	1,289	1,870	32,362
Additions	-	124	540	-	-	664
As at 30 September 2021	26,292	394	3,181	1,289	1,870	33,026
Additions	-	16	353	-	-	369
Disposals	-	(116)	(34)	-	-	(150)
Forex on consolidation	-	-	3	-	-	3
As at 30 September 2022	26,292	294	3,503	1,289	1,870	33,248
AMORTISATION AND IMPAIRMENT						
As at 1 April 2020	4,109	88	1,319	133	419	6,068
Charge for the year	-	44	479	193	935	1,651
As at 30 September 2021	4,109	132	1,798	326	1,354	7,719
Charge for the period	-	139	367	129	477	1,112
Eliminated on disposals	-	(116)	(34)	-	-	(150)
Forex on consolidation	-	-	3	-	-	3
As at 30 September 2022	4,109	155	2,134	455	1,831	8,684
NET BOOK VALUE						
As at 1 April 2020	22,183	182	1,322	1,156	1,451	26,294
As at 30 September 2021	22,183	262	1,383	963	516	25,307
As at 30 September 2022	22,183	139	1,369	834	39	24,564

The remaining amortisation periods for software and product development are 6 months to 48 months (2021: 6 months to 48 months).



11. GOODWILL AND OTHER INTANGIBLES (continued)

Goodwill has been tested for impairment. The method, key assumptions and results of the impairment review are detailed below:

Goodwill is attributed to the CGU being the division in which the goodwill has arisen. The Group has 2 CGUs and the goodwill related to each CGU as disclosed below.

Goodwill	2022 £000	2021 £000
Offshore Energy Division	19,593	19,593
Marine Civils Division	2,590	2,590

Goodwill is allocated to two CGUs being Offshore Energy and Marine Civils. Goodwill has been tested for impairment by assessing the value in use of the cash generating unit. The value in use has been calculated using budgeted cash flow projections for the next 4 years. A terminal value based on a perpetuity calculation using a 2% real growth rate was then added. The next 4 years forecasts have been compiled at individual CGU level with the forecasts in the first 2 years modelled around the known contracts which the entities have already secured or are in an advanced stage of securing. A targeted revenue stream based on historic revenue run rates has then been incorporated into the cashflows to model contracts that are as yet unidentified that are likely to be won and completed in the year. The forecasts for year 3 and year 4 are based on assumed growth rates for each individual entity, the total growth rate for the group (CAGR 21%) are in line with expected market rate. The value in use calculation models an increase in revenue for the offshore energy division of 18% across year 3 and year 4 and then 2% into perpetuity. The growth rates for year 3 and 4 are comparable to the expected market CAGR. A less significant growth rate for the offshore energy division in year 3 and 4 of 5% would lead to an impairment charge being recognised.

The cashflow forecasts assume growth in revenue and profitability across the Group. These growth rates are based on past experience and market conditions and discount rates are consistent with external information. The growth rates shown are the average applied to the cash flows of the individual cash generating units and do not form a basis for estimating the consolidated profits of the Group in the future.

In addition to growth in revenue and profitability, the key assumptions used in the impairment testing were as follows:

- Gross Margin % returning towards FY20 levels for offshore energy division
- A post tax discount rate of 13.5 % WACC (FY21 12.1%) estimated using a weighted average cost of capital adjusted to reflect current market assessment of the time value of money and the risks specific to the group
- Terminal growth rate percentage of 2% (FY21: 2%)

The discount rate used to test the cash generating units was the Group's post-tax WACC of 13.5%. The goodwill impairment review has been tested against a reduction in free cashflows. The Group considers free cashflows to be EBITDA less any required capital expenditure and tax. Management has considered the most likely worst-case scenario to be a reduction in free cashflows to 80% of the base case. Under this sensitivity test sufficient headroom was available to support the carrying value of goodwill.

Further sensitivity analysis performed by management shows that free cashflows would have to reduce to 69% (offshore energy) and 61% (Marine Civils) of forecasted base case values to trigger an impairment of goodwill. The post-tax discount rate of 13.5% would need to increase to 19% (offshore energy) and 24% (Marine Civils) to trigger an impairment of goodwill. Management do not consider either of these scenarios to be likely.

The value in use calculations described above, together with sensitivity analysis, indicate sufficient headroom and therefore do not give rise to impairment concerns. Having completed the impairment reviews no impairments have been identified. Management does not consider that there is any reasonable downside scenario which would result in an impairment.

All amortisation charges have been treated as an expense and charged to cost of sales and operating costs in the income statement.



12. PROPERTY, PLANT AND EQUIPMENT

	Freehold property	Leasehold improvements	Containers and racking	Plant and equipment	Fixtures and Fittings	Production tooling	Motor vehicles	Computer equipment	Right of use asset	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
COST										
As at 31 March 2020	2,886	921	1,141	2,701	21	2,314	11	493	2,685	13,173
Additions	-	3	77	1,069	9	393	-	30	258	1,839
Disposals	-	(5)	(24)	-	-	-	-	(1)	(120)	(150)
As at 30 September 2021	2,886	919	1,194	3,770	30	2,707	11	522	2,823	14,862
Additions	-	3	3	510	4	88	-	18	648	1,274
Disposals	-	-	-	-	-	-	-	(50)	(62)	(112)
Revaluation	102	-	-	-	-	-	-	-	-	102
Forex on consolidation	-	-	-	13	-	-	-	-	-	13
As at 30 September 2022	2,988	922	1,197	4,293	34	2,795	11	490	3,409	16,139
DEPRECIATION										
As at 31 March 2020	70	904	1,053	1,384	1	1,474	11	369	2,014	7,280
Charge for the year	76	17	69	476	13	699	-	75	606	2,031
Eliminated on disposal	-	-	(24)	-	-	-	-	(1)	(120)	(145)
As at 30 September 2021	146	921	1,098	1,860	14	2,173	11	443	2,500	9,166
Charge for the year	51	1	44	431	8	310	-	43	482	1,370
Eliminated on disposal	-	-	-	-	-	-	-	(50)	(62)	(112)
Revaluation	(175)	-	-	-	-	-	-	-	-	(175)
Forex on consolidation	-	-	-	7	-	-	-	-	-	7
As at 30 September 2022	22	922	1,142	2,298	22	2,483	11	436	2,920	10,256
NET BOOK VALUE										
As at 31 March 2020	2,816	17	88	1,317	20	840	-	123	671	5,892
As at 30 September 2021	2,740	(2)	96	1,910	16	534	-	79	323	5,696
As at 30 September 2022	2,966	-	55	1,995	12	312	-	54	489	5,883

Depreciation charges are allocated to cost of sales and administrative expenses in the income statement. The carrying value of the right of use asset relates to property leases (£317k), computer software (£118k) and plant and equipment assets (£54k).

As at 30 September 2022, the freehold property with carrying value of £2,966k were subject to a fixed and floating charge that forms security for the bank borrowings disclosed in note 18.

12. PROPERTY, PLANT AND EQUIPMENT (continued)

The following information relates to tangible fixed assets carried on the basis of revaluations in accordance with ISA16 Property, plant and equipment.

The property was valued using by an independent valuer (G F White LLP) on 25th August 2022. The revaluation of freehold property in the year resulted in a revaluation gain of £238k in the period.

Freehold Property

	30 Sep 2022	30 Sep 2021
	£000	£000
At fair value		
30 September 2022	2,988	2,886
Aggregate depreciation thereon	(22)	(146)
Net book value	2,966	2,740
Historical cost of revalued assets	2,656	2,656
Aggregate depreciation thereon	(446)	(393)
Historical cost net book value	2,210	2,263



13. INVESTMENTS

Subsidiary undertakings of the Group

Details of the investments in which the Group holds 20 per cent or more of the nominal value of any class of share capital are as follows:

	Class of share capital held	Proportion held	
		By Parent Company	By the Group
Tekmar Limited	Ordinary	100%	100%
Tekmar Holdings Limited	Ordinary	-	100%
Tekmar EBT Limited	Ordinary	-	100%
Subsea Innovation Limited	Ordinary	100%	100%
Tekmar Energy Limited	Ordinary	-	100%
Pipeshield International Limited	Ordinary	100%	100%
Pipeshield Company Limited	Ordinary	-	100%
Pipeshield International Trading LLC	Ordinary	-	100%
Tekmar Polyurethanes Limited	Ordinary	-	100%
Tekmar GmbH	Ordinary	-	100%
AgileTek Engineering Limited	Ordinary	-	100%
Ryder Geotechnical Limited	Ordinary	-	80%
Tekmar Marine Technology Company Limited	Ordinary	-	100%

No non-controlling interest has been recorded in relation to Ryder Geotechnical Limited as this is not material to split out.

All the companies listed above are incorporated in England and Wales, and have a registered address of Innovation House, Centurion Way, Darlington, DL3 0UP with the following exceptions:

Company	Country of Incorporation	Address
Pipeshield International trading LLC	UAE	C2 Al Buttien Building, Office 642
Pipeshield Company Limited	Saudi Arabia	Dammam, KSA, Po Box 130 31952
Tekmar GmbH	Germany	Möllneyer Ufer 17, 45257 Essen, Germany
Tekmar Marine Technology Company Limited	China	Room 301,3F,No.1271 West Beijing Road, Jingan District, Shanghai, China

There are no restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group's subsidiaries. The principal activities of these undertakings for the last relevant financial period were as follows:

Company	Principal activity
Tekmar Limited	Holding of shares in subsidiary companies and the management thereof
Tekmar Holdings Limited	Holding of shares in subsidiary companies and the management thereof
Tekmar EBT Limited	Corporate trustee for an employee benefit trust established to facilitate employee share ownership
Subsea Innovation Limited	Design and manufacture of equipment for the offshore subsea industry
Tekmar Energy Limited	Design and manufacture of subsea protection solutions for use in offshore subsea industry
Pipeshield International Limited	Design and manufacture of subsea asset protection
Pipeshield International trading LLC	Design and manufacture of subsea asset protection
Pipeshield Company Limited	Design and manufacture of subsea asset protection
Tekmar Polyurethanes Limited	Dormant
Tekmar GmbH	Investment
AgileTek Engineering Limited	Engineering consulting for subsea environments
Ryder Geotechnical Limited	Geotechnical consulting for subsea environments
Tekmar Marine Technology Company Limited	Sales and project management for Asia Pacific region



14. INVENTORIES

	30 Sep 2022	30 Sep 2021
	£000	£000
Raw materials	1,962	2,222
Work in Progress	1,954	1,488
Finished goods	707	256
	4,623	3,966

All inventory items are carried at the lower of cost or net realisable value.

15. TRADE AND OTHER RECEIVABLES

	30 Sep 2022	30 Sep 2021
	£000	£000
Amounts falling due within one year:		
Trade receivables not past due	2,698	4,861
Trade receivables past due (1-30 days)	1,948	3,192
Trade receivables past due (over 30 days)	3,279	3,344
Trade receivables not yet due (retentions)	1,620	-
Trade receivables net	9,545	11,397
Contract assets	3,194	5,432
Other receivables	203	563
Prepayments and accrued income	433	542
Derivative financial assets	-	37
	13,375	17,971

Trade and other receivables are all current and any fair value difference is not material. Trade receivables are assessed by management for credit risk and are considered past due when a counterparty has failed to make a payment when that payment was contractually due. Management assesses trade receivables that are past the contracted due date by up to 30 days and by over 30 days.

The carrying amounts of the Group's trade and other receivables are all denominated in GBP. The derivative financial asset relates to forward foreign currency contracts.

There have been no provisions for impairment against the trade and other receivables noted above. The Group has calculated the expected credit losses to be immaterial.

16. CASH AND CASH EQUIVALENTS

	30 Sep 2022	30 Sep 2021
	£000	£000
Cash and cash equivalents		
Cash at bank and in hand	8,496	3,482

Cash and cash equivalents were held in the following currencies:

	2022	2021
	£000	£000
UK Pound	6,054	2,219
Euro	12	585
US Dollar	2,420	42
Other	10	636
	8,496	3,482

17. TRADE AND OTHER PAYABLES

	30 Sep 2022	30 Sep 2021
	£000	£000
Current		
Trade payables	4,181	5,845
Tax and social security	269	222
Accruals and contract liabilities	4,863	3,054
Derivative financial liability	356	-
	9,669	9,121

	30 Sep 2022	30 Sep 2021
	£000	£000
Non-current		
Accruals and contract liabilities	331	343
	331	343

Trade and other payables are all current and any fair value difference is not material. The derivative financial liability relates to forward foreign currency contracts. Forward currency contracts are revalued using the period end spot rate.



18. BORROWINGS	30 Sep 2022	30 Sep 2021
	£000	£000
Current		
Trade Loan Facility	3,990	2,999
Lease liability	208	161
CBILS Bank Loan	3,000	-
	7,198	3,160
Non-current		
CBILS Bank Loan	-	3,053
Lease liability	194	130
	194	3,183
	2022	2021
	£000	£000
Amount repayable		
Within one year	7,198	3,160
In more than one year but less than two years	144	3,141
In more than two years but less than three years	39	42
In more than three years but less than four years	11	-
In more than four years but less than five years	-	-
In more than five years	-	-
	7,392	6,343

The above carrying values of the borrowings equate to the fair values.

	2022	2021
	%	%
Average interest rates at the balance sheet date		
Lease liability	3.25	3.25
Trade Loan Facility	3.75	3.10
CBILS Bank Loan	2.40	2.25

The CBILS Bank Loan was renewed in October 2022 and is due for maturity on 31 October 2023, The trade Loan Facility has been renewed post year end and is due for Maturity on 31 July 2023, as described in note 2b.

Lease liability

This represents the lease liability recognised under IFRS 16. The assets leased are shown as a right of use asset within Property, plant and equipment (note 12) and relate to the buildings from which the Group operates, along with leased items of equipment and computer software.

The asset and liability have been calculated using a 3.25% discount rate.

These leases are due to expire between December 2022 and September 2026.



18. BORROWINGS (continued)

Cash flows from financing activities

An analysis of cash flows from financing activities is provided as follows:

	Lease liabilities £000	Loans & Borrowings £000	Total £000
Balance at 1 April 2020	814	-	814
Changes from financing cashflows			
Proceeds from loans & borrowings	-	6,000	6,000
Payment of lease liabilities	(790)	-	(790)
Total Changes from financing cashflows	(790)	6,000	5,210
Other Changes			
New leases	247	-	247
Interest expense	20	52	72
Total other changes	267	52	319
Balance at 1 October 2021	291	6,052	6,343
Changes from financing cash flows			
Proceeds from loans & borrowings	-	907	907
Payment of lease liabilities	(562)	-	(562)
Total changes from financing cash flows	(562)	907	345
Other changes			
New leases	656	-	656
Interest expense	17	31	48
Total other changes	674	31	705
Balance at 30 September 2022	402	6,990	7,392



19. DEFERRED TAX

	30 Sep 2022			30 Sep 2021		
	Asset £000	Liability £000	Net £000	Asset £000	Liability £000	Net £000
At start of year	405	(530)	(125)	31	(500)	(469)
Credit to income statement	(137)	(9)	(146)	405	(30)	375
Credit on share based payments	(1)	(41)	(42)	(31)	-	(31)
At end of year	267	(580)	(313)	405	(530)	(125)

The deferred tax liability relates to the following:

	30 Sep 2022			30 Sep 2021		
	Asset	Liability	Net	Asset	Liability	Net
Accelerated capital allowances on property, plant & equipment	-	(265)	(265)	-	(119)	(119)
On intangible assets	-	(218)	(218)	-	(358)	(358)
On share based payments	45	-	45	-	-	-
Other timing differences	222	(97)	125	405	(53)	352
	267	(580)	(313)	405	(530)	(125)

Other timing difference relate to the deferred tax liability arising on the property revaluation.

In addition to the deferred tax liability above, the Group has additional unrecognised gross tax losses of £13,742,119 (2021: £7,598,735), hence an unrecognised deferred tax asset of £3,435,780 (2021: £1,899,684). These assets remain unrecognised as there is expected to be sufficient relief available in the businesses that hold the losses to mean it is unlikely that the losses will be used over the medium term and therefore the benefit derived from them is too uncertain to warrant recognition of an asset.

20. CONTINGENT LIABILITIES

Contingent liabilities are disclosed in the financial statements when a possible obligation exists, the existence will be confirmed by uncertain future events that are not wholly within the control of the entity. Contingent liabilities also include obligations that are not recognised because their amount cannot be measured reliably or because settlement is not probable.

As noted by the Group in prior public announcements, there is an emerging industry-wide issue regarding abrasion of legacy cable protection systems installed at off-shore windfarms. The precise cause of the issues are not clear and could be as a result of a number of factors, such as the absence of a second layer of rock to stabilise the cables. The decision not to apply this second layer of rock, which was standard industry practice, was taken by the windfarm developers independently of Tekmar. Tekmar is committed to working with relevant installers and operators, including directly with customers who have highlighted this issue, to investigate further the root cause and assist with identifying potential remedial solutions. This is being done without prejudice and on the basis that Tekmar has consistently denied any responsibility for these issues. However, given these extensive uncertainties and level of variabilities at this early stage of investigations no conclusions can yet be made.

Tekmar have been presented with defect notifications for 8 legacy projects on which it has supplied cable protection systems ("CPS"). These defect notifications have only been received on projects where there was an absence of the second layer of rock traditionally used to stabilise the cables.

At this stage management do not consider that there is a present obligation arising under IAS37 as insufficient evidence is available to identify the overall root cause of the damage to any of the CPS. Independent technical experts have been engaged to determine the root cause of the damage to the CPS

and upon completion of these technical assessments, Tekmar will review the assessment as to whether a present obligation exists.

Given the range of possible outcomes, management considers that a possible obligation exists which will only be confirmed by further technical investigation to identify the root cause of alleged CPS failures. As such management has disclosed a contingent liability in the financial statements.

Tekmar Group plc has taken exemption under IAS37, Paragraph 92 to not disclose information on the range of financial outcomes, uncertainties in relation to timing and any potential reimbursement as this could prejudice seriously the position of the entity in a dispute with other parties on the subject matter as a result of the early stage of discussions.

21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial risk management

The Group uses various financial instruments. These have historically included cash, forward foreign exchange contracts, issued equity instruments and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments are to raise finance for the Group's operations.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below.

The main risks arising from the Group's financial instruments are market risk, cash flow interest rate risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Market risk

Market risk encompasses three types of risk, being currency risk, interest rate risk and price risk. In this instance price risk has been ignored as it is not considered a material risk to the business. The Group's policies for managing interest rate risk are set out in the subsection entitled "interest rate risk" below.

Currency risk

The Group contracts with certain customers in Euros, US dollars, Canadian Dollars and Chinese Yuan. It manages this foreign currency risk using forward foreign exchange contracts which match the expected receipt of foreign currency income. At 30 September 2022 this covers the period up to April 2023 (As at 30 September 2021 the period to January 2022).

The table below shows the impact in GBP to the profit & Loss account and net assets of the Group (excluding any changes in the fair value of derivatives) if there had been a 5% difference in the year end exchange rates:

At 30 September 2022	Eur	USD	SAR	AED	CAD	RMB	Total
	£000	£000	£000	£000	£000	£000	£000
+5%	(71)	(186)	13	(1)	-	(163)	(408)
-5%	33	206	(14)	1	-	181	407
At 30 September 2021	Eur	USD	SAR	AED	CAD	RMB	Total
	£000	£000	£000	£000	£000	£000	£000
+5%	(79)	(132)	-	-	(132)	(223)	(566)
-5%	89	145	-	-	146	246	626

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs by closely managing the cash balance and by investing cash assets safely and profitably.

The Group policy throughout the period has been to ensure continuity of funding. Short-term flexibility is achieved by bank loan facilities.

The table below analyses the Group's non-derivative and derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

At 30 September 2022	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000
Borrowings	6,990	-	-	-
Lease Obligations	208	144	39	10
Trade and other payables	4,181	-	-	-

At 30 September 2021	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000
Borrowings	2,999	3,053	-	-
Lease Obligations	160	88	43	-
Trade and other payables	5,845	-	-	-

Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Directors' policy to manage interest rate fluctuations is to regularly review the costs of capital and the risks associated with each class of capital, and to maintain an appropriate mix between fixed and floating rate borrowings.

Credit risk

The Group's principal financial assets are cash and trade receivables. The credit risk associated with cash is limited, as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from the Group's trade receivables. In order to manage credit risk the Directors set limits for customers based on a combination of payment history and third-party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

The Directors consider that the Group's trade receivables were not impaired for the year ended 30 September 2022 or 30 September 2021 and no provision for credit losses was made. See note 15 for further information on financial assets that are past due.



21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Summary of financial assets and liabilities by category

The carrying amount of financial assets and liabilities recognised at the balance sheet date of the reporting periods under review may also be categorised as follows:

	2022 £000	2021 £000
Financial assets		
<i>Financial assets measured at amortised cost</i>		
Trade and other receivables	12,942	17,342
Cash and cash equivalents	8,496	3,482
<i>Financial assets measured at fair value through profit or loss</i>		
Forward foreign exchange contracts	-	37
	<hr/> 21,438	<hr/> 20,861
Financial liabilities		
<i>Financial liabilities measured at fair value through profit or loss</i>		
Forward foreign exchange contracts	(356)	-
<i>Financial liabilities measured at amortised cost</i>		
<i>Non-current:</i>		
Borrowings	(194)	(3,183)
<i>Current:</i>		
Borrowings	(7,198)	(3,160)
Trade payables	(4,181)	(5,845)
	<hr/> (11,929)	<hr/> (12,188)
Net financial assets and liabilities	<hr/> 9,509	<hr/> 8,673

Financial instruments carried at fair value include forward foreign exchange contracts which are valued using Level 2 inputs in accordance with IFRS 13.

Capital risk management

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

This is achieved through close management of working capital and regular reviews of pricing. Decisions on whether to raise funding using debt or equity are made by the Board based on the requirements of the business. Capital for the reporting period under review is shown as total equity in the table above.



22. SHARE CAPITAL

Nominal value	Ordinary shares £0.01 Number	Ordinary Share Total £
At 31 March 2020	51,261,685	512,617
Issued during the year	346,918	3,469
At 30 September 2021	51,608,603	516,086
Issued during the period	9,351,631	93,516
At 30 September 2021	60,960,234	609,602

The new shares issued during the period arose from the exercise of share options in the IPO (118,750 shares) (see Note 24) and the sale new of shares (9,232,881 shares at £0.45 per share).

23. RELATED PARTY TRANSACTIONS

The Directors consider there to be no ultimate controlling party following Admission in June 2018. Related party transactions with the Company are as follows:

During the period, Tekmar Energy Limited rented a property from a business owned by Gary Ritchie-Bland, father of James Ritchie, former CEO. Costs relating to this rental during the period were £nil (2021: £40,000). No amounts were due at the period end.

During the period, Agiletex Engineering Limited made payments to Tynetec Engineering Limited, a company with which Alasdair Macdonald is a director of £nil (2021: £33,893) for engineering services. There was no balance outstanding at the year end. These transactions were on an arm's length basis and at commercial rates.

Key management compensation is given in note 5 (b).



24. SHARE BASED PAYMENTS

During the year the Group operated four equity-settled share-based payment plans as described below.

The Tekmar Group plc IPO Plan ("IPO Plan")

As part of the admission to trading on AIM in June 2018, the Group granted a total of 1,750,000 share options to key executives. All of the options granted are subject to service conditions, being continued employment with the Group until the end of the vesting period. The options include certain performance conditions which must be met, based upon earnings per share and total shareholder return targets for the financial year ending March 2020. The awards became exercisable on 20 June 2020 to the extent that the performance conditions have been satisfied. The options were granted with an exercise price equal to the nominal value of the share (£0.01).

On 7 October 2021 31,250 of the share options were exercised at £0.01, and on 6 December 2021 the 87,500 share options were exercised at £0.01.

The Tekmar Group plc Long Term Incentive Plan ("LTIP")

The LTIP is a discretionary executive share plan under which the Board may, within certain limits and subject to any applicable performance conditions, grant to eligible employees nil or nominal cost options, options with a market value exercise price, conditional or restricted awards. All employees are eligible for selection to participate in the plan. No awards have been granted under the LTIP.

The Tekmar Group plc Retention Plan ("Retention")

The retention is a discretionary executive share plan under which the Board may, within certain limits and subject to any applicable service conditions, grant to eligible employees nil or nominal cost options, options with a market value exercise price, conditional or restricted awards. All employees are eligible for selection to participate in the plan.

The Tekmar Group plc Share Incentive Plan ("SIP")

The SIP is an all-employee ownership plan under which eligible employees may be awarded free and/or matching shares. The SIP operates through a UK-resident trust (the "SIP Trust"). On 13 September 2018 the Company issued 42,691 shares of £0.01 each in the Company. The shares will be held in trust for a minimum holding period of 3 years and there is a forfeiture period of 3 years during which employees who participated in the SIP will lose their Award if they resign or are dismissed from their employment.

On 15 September 2021 the Company issued 241,376 shares of £0.01 each in the Company. The shares will be held in trust for a minimum holding period of 3 years and there is a forfeiture period of 3 years during which employees who participated in the SIP will lose their Award if they resign or are dismissed from their employment.

The Tekmar Group plc Save as you earn Plan ("SAYE")

The SAYE is an all-employee ownership plan under which eligible employees are invited to subscribe for options over the Company's shares which may be granted at a discount of up to 20%. On 31 March 2021 the Company launched the a further SAYE plan (SAYE 2021) and options over 190,252 shares were granted to 52 staff. There is a forfeiture period of 3 years during which employees who participated in the SAYE will lose their award if they resign or are dismissed from their employment. On 31 March 2022 the Company launched the a further SAYE plan (SAYE 2021) and options over 550,393 shares were granted to 21 staff. There is a forfeiture period of 3 years during which employees who participated in the SAYE will lose their award if they resign or are dismissed from their employment.

24. SHARE BASED PAYMENTS (CONTINUED)

A summary of the options granted is shown in the table below:

Plan	1 October 2021	Granted in the period	Exercised in the period	Lapsed in the period	30 September 2022 share options outstanding	Vesting period	Exercise period
IPO Plan	181,250	-	(118,750)	(62,500)	-	2 years	10 years
SIP	53,589	-	-	-	53,589	3 years	10 years
SAYE	432,520	550,393	-	(501,503)	481,410	3 years	10 years
Retention	27,833	-	-	-	27,833	3 Years	10 Years
LTIP	415,760	-	-	(415,760)	-	3 Years	10 Years

Plan	1 April 2020	Granted in the period	Exercised in the period	Lapsed in the period	30 September 2021 share options outstanding	Vesting period	Exercise period
IPO Plan	1,625,000	-	(62,500)	(1,381,250)	181,250	2 years	10 years
SIP	67,691	-	-	(14,102)	53,589	3 years	10 years
SAYE	428,983	190,252	-	(186,715)	432,520	3 years	10 years
Retention	-	225,000	(43,042)	(154,125)	27,833	3 Years	10 Years
LTIP	-	1,294,010	-	(878,250)	415,760	3 Years	10 Years

The weighted average share price at the date of exercise for share options exercised during the year was £0.48 (2021:£0.51).

The schemes had a weighted average remaining contractual life as follows:

Plan	2022	2021
IPO Plan	6 Years	7 Years
SIP	6 Years	7 Years
SAYE	8 Years	8 Years
Retention	8 Years	9 Years
LTIP	8 Years	9 Years

The Group has recognised a total credit of £103,000 (2021: £140,058 expense) in respect of equity-settled share-based payment transactions in the period ended 30 September 2022. The share-based payment transactions for the IPO options have been treated as an exceptional cost in the profit and loss account. These transactions account for a £nil (2021: 364,000 credit) in the year to 30 September 2022. The remaining share based payment transactions are treated as administrative expenses £103,000 credit (2021: £224,000 charge).

24. SHARE BASED PAYMENTS (CONTINUED)

Valuation model inputs

The key inputs to the Black-Scholes-Merton and Monte Carlo simulation models for the purposes of estimating the fair values of the share options granted in the year are as follows:

Plan	IPO Plan	SIP	SAYE20	SAYE21	SAYE22	Retention	LTIP
Grant Date	20/06/18	13/09/18	31/03/20	31/03/21	31/3/2022	22/08/20	04/08/20
Share price at grant date (P)	130	161.5	83	63.75	37.50	108	110
Expiry Date	20/06/18	13/09/28	31/03/30	31/03/31	31/03/32	22/08/30	04/08/30
Exercise price (P)	1.00	1.00	78.00	50.20	30.0	1.00	1.00
Expected Volatility (%)	44.02	44.02	45.02	78.95	45.67	53.85	53.57
Risk-free rate (%)	2.0 %	2.0 %	2.0 %	2.0 %	2.0%	2.0 %	2.0 %
Expectation of meeting performance criteria	75%	80%	61%	61%	61%	100%	75%

25. POST BALANCE SHEET EVENTS

There has been no events after the reporting date that require adjustment or disclosure in line with IAS10 events after the reporting period to the date of the approval of these financial statements.



Parent company balance sheet

as at 30 September 2022

	Note	30 September 2022 £000	30 September 2021 £000
Non-current assets			
Property, plant and equipment	4	46	-
Investments	3	37,015	37,095
Deferred tax assets		5	49
Trade and other receivables	5	15,869	15,869
Total non-current assets		52,935	53,013
Current assets			
Trade and other receivables	5	5,946	6,655
Cash at bank and in hand		2,702	589
Total current assets		8,648	7,244
Total assets		61,583	60,257
Equity and liabilities			
Share capital		609	516
Share premium		67,652	64,097
Merger relief reserve		1,738	1,738
Retained earnings		(16,585)	(15,076)
Total equity		53,414	51,275
Current liabilities			
Other loans and borrowings	6	7,003	3,000
Trade and other payables	7	1,133	2,930
Total current liabilities		8,136	5,930
Non-current liabilities			
Other loans and borrowings	6	33	3,052
Total non-current liabilities		33	3,052
Total equity and liabilities		61,583	60,257

Parent Company profit and loss account

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The Company's loss after taxation for the period was £1.418m (2021: £3.156m)

The Parent Company financial statements were approved by the Board of Directors on 14 March 2023 and were signed on its behalf by:

Alasdair Macdonald

Alasdair Macdonald

Chief Executive Officer

Company registered number: 11383143

Parent company statement of changes in equity

for the year ended 30 September 2022

	Share capital	Share premium	Merger relief reserve	Retained earnings	Total equity
	£000	£000	£000	£000	£000
Balance at 1 April 2020	513	64,100	1,738	(11,756)	(54,595)
Loss for the year (Restated)	-	-	-	(3,156)	(3,156)
Total comprehensive expense for the year (Restated)	-	-	-	(3,156)	(3,156)
Issue of shares	3	(3)	-	-	-
Share based payments	-	-	-	(164)	(164)
Total transactions with owners, recognised directly in equity	3	(3)	-	(164)	(164)
Balance at 30 September 2021	516	64,097	1,738	(15,076)	51,275
Loss for the period	-	-	-	(1,418)	(1,418)
Total comprehensive expense for the period	-	-	-	(1,418)	(1,418)
Issue of shares	93	3,555	-	-	3,648
Share based payments	-	-	-	(91)	(91)
Total transactions with owners, recognised directly in equity	93	3,555	-	(91)	3,557
Balance at 30 September 2022	609	67,652	1,738	(16,585)	53,414

Notes to the parent company financial statements

for the year ended 30 September 2022

1. SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these financial statements.

Basis of preparation

Tekmar Group plc (the "Company") is a public limited company incorporated and domiciled in England and Wales. The registered office of the Company is Innovation House, Centurion Way, Darlington, DL3 0UP. The registered company number is 11383143.

The principal activity of the Company and its subsidiaries (together the "Group") is that of design, manufacture and supply of subsea cable, umbilical and flexible protection systems operating across the Offshore Wind, Oil & Gas and other energy sectors, including associated subsea engineering services.

Reporting framework

The separate financial statements of the Company have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101"), on the going concern basis under the historical cost convention, and in accordance with the Companies Act 2006 and applicable Accounting Standards in the UK. The principal accounting policies are set out below.

The following exemptions from the requirements in IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The following paragraphs of IAS 1 "Presentation of Financial Statements"
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 111 (cash flow statement information); and
 - 134-136 (capital management disclosures)
- IFRS 7 "Financial Instruments : Disclosures";
- IAS 7 "Statement of Cash Flows";
- IAS 24 (paragraphs 17 and 18a) "Related Party Disclosures" (key management compensation); and
- IAS 24 "Related Party Disclosures" – the requirement to disclose related party transactions between two or more members of a group.
- IAS 8.30 – the requirement to disclose accounting standards issued but not effective

As the Group financial statements include the equivalent disclosures, the Company has taken the exemptions available under FRS 101 in respect of the following disclosures;

- IFRS 2 "Share-based Payments" in respect of Group settled equity share-based payments; and
- Certain disclosures required by IFRS 13 "Fair Value Measurement" and disclosures required by IFRS 7 "Financial Instruments : Disclosures"

Parent Company profit and loss account

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The Company's loss after taxation for the period was £1.418m (2021: £3.156m)



1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividend distribution

The distribution of a dividend to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which it is approved by the Company's shareholders.

Investment in subsidiary undertakings

Investments in Group undertakings are stated at cost, unless their value has been impaired in which case they are valued at their recoverable amount.

Deferred taxation

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Share-based payments

The Group operates equity-settled share-based remuneration plans for certain employees. None of the Group's plans are cash-settled. All goods and services received in exchange for the grant of any share-based payment are measured at their fair values.

Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to retained earnings. If vesting years or other vesting conditions apply, the expense is allocated over the vesting year, based on the best available estimate of the number of share options expected to vest.

The fair value determined at the grant date of equity-settled share-based payments issued to employees of subsidiary undertakings is recognised as an addition to the cost of investment in subsidiary undertakings on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Employer social security contributions payable in connection with the grant of share awards are considered an integral part of the grant itself and the charge is treated as a cash-settled transaction.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds of issue.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

Financial assets

Classification

The Company classifies its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.



1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that arise principally through the provision of services to customers. They are initially recognised at the transaction price, and are subsequently stated at amortised cost using the effective interest method. They are included in current assets, except for maturities greater than 12 months after the end of the reporting year. Loans and receivables comprise mainly trade and other receivables, including amounts owed by related entities.

Impairment of financial assets

A loss allowance for expected credit losses on trade and other receivables and contract assets is measured at an amount equal to the lifetime expected credit losses. Lifetime expected credit losses are the expected credit losses that will result from all possible default events over the expected life of a financial instrument. This assessment is performed on a collective basis considering forward-looking information. The Group considers a financial asset to be in default when the receivable is unlikely to pay its credit obligations to the Group in full without recourse by the Group to actions such as realising security (if any is held); or the financial asset is more than 120 days old.

Financial liabilities

The Company initially recognises its financial liabilities at fair value net of transaction costs where applicable and subsequently they are measured at amortised cost using the effective interest method. Financial liabilities comprise trade and other payables, amounts owed to Group undertakings, other liabilities and accruals and are initially recognised at fair value, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Other liabilities include payments in advance from customers.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the year of the borrowings using the effective interest method.

Critical accounting estimates

The preparation of the Parent Company financial statements requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The Directors consider that the following estimates and judgements are likely to have the most significant effect on the amounts recognised in the Group financial statements.

(a) Critical accounting estimates

Impairment of investments

The carrying amount of the Company's investments in subsidiaries £37,015,000 as at 30 September 2022 (2021: £37,095,000 restated). The Directors have carried out an impairment review in accordance with the accounting policies. The forecast cash generation for each investment and the Weighted Average Cost of Capital ("WACC") represent significant assumptions.

The cash flows are based on a four year forecast with a compound average growth rate over the 4 year period of 21%. Subsequent years are based on a reduced growth rate of 2.0% into perpetuity.

The discount rate used was the Group's pre-tax WACC of 13.5%.

The value in use calculations performed for the impairment review, together with sensitivity analysis using reasonable assumptions, indicate sufficient headroom for the investments in subsidiaries and therefore do not give rise to impairment concerns.



2. REMUNERATION OF DIRECTORS AND AUDITORS

Details of Directors' remuneration are shown in the Directors' Remuneration Report on page 85 of the Group financial statements. Details of auditor remuneration are shown in note 8 of the Group financial statements.

3. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	30 Sep 2022 £000	30 Sep 2021 £000
Investment in subsidiaries	36,745	36,745
Capital contribution related to share-based payments for subsidiaries	270	350
	37,015	37,095

The carrying amount of the Company's investments in subsidiaries £37,015,000 as at 30 September 2022 (2021: £37,095,000). The Directors have carried out an impairment review in accordance with the accounting policies. The forecast cash generation for each investment and the Weighted Average Cost of Capital ("WACC") represent significant assumptions.

The cash flows are based on a four year forecast with a compound average growth rate over the 4 year period of 21%. Subsequent years are based on a reduced growth rate of 2.0% into perpetuity.

The discount rate used was the Group's pre-tax WACC of 13.5%.

The value in use calculations performed for the impairment review, together with sensitivity analysis using reasonable assumptions, indicate sufficient headroom for the investments in subsidiaries civils and therefore do not give rise to impairment concerns. A reduction in free cashflows of 2% and 6% respectively on the Pipeshield International limited and Tekmar Limited value in use calculations would give rise to an impairment of the investments.

The Company directly owns the whole of the issued ordinary shares of the following subsidiary undertakings:

	Class of share capital held	By Parent Company	Carrying Value FY22	Carrying Value FY21
Tekmar Limited	Ordinary	100%	27,505	27,505
Subsea Innovation Limited	Ordinary	100%	2,066	2,066
Pipeshield International Limited	Ordinary	100%	7,174	7,174
Total			36,745	36,745
Capital contribution related to share-based payments for subsidiaries			270	350
Total Investment in subsidiaries			37,015	37,095

All the companies listed above are incorporated in England and Wales and have a registered address of Innovation House, Centurion Way Darlington DL3 0UP.

There are no restrictions on the Group's ability to access or use the assets and settle the liabilities of the Group's subsidiaries. The principal activities of these undertakings for the last relevant financial period were as follows:

3. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS (CONTINUED)

Company	Principal activity
Tekmar Limited	Holding of shares in subsidiary companies and the management thereof
Subsea Innovation Limited	Design and manufacture of equipment for the offshore subsea industry
Pipeshield International Limited	Design and manufacture of subsea asset protection

4. PROPERTY, PLANT AND EQUIPMENT

	Motor Vehicles	Total
	£000	£000
COST		
As at 1 April 2020	-	-
Additions	-	-
As at 30 September 2021	-	-
Additions	46	46
As at 30 September 2022	46	46
DEPRECIATION		
As at 1 April 2020	-	-
Charge for the year	-	-
As at 30 September 2021	-	-
Charge for the period	-	-
As at 30 September 2022	-	-
NET BOOK VALUE		
As at 1 April 2020	-	-
As at 30 September 2021	-	-
As at 30 September 2022	46	46

5. TRADE AND OTHER RECEIVABLES

	2022	2021
	£000	£000
Amounts owed by Group undertakings – non-current	15,869	15,589
Amounts owed by Group undertakings – current	5,912	6,578
Prepayments and accrued income – current	34	77
Total - Current	5,946	6,655
	21,815	22,524

All of the amounts owed by Group undertakings shown above are repayable on demand and attract interest at rates between 0% and 3%. No expected credit losses are recognised on intercompany receivables as historically no balances have been defaulted on.

6. BORROWINGS

	2022	2021
	£000	£000
Current		
Trade Loan Facility	3,990	3,000
Finance lease	13	-
CBILS Loan Facility	3,000	-
	7,003	3,000
Non-current		
CBILS Loan Facility	-	3,052
Finance lease	33	-
	33	3,052
	2022	2021
	£000	£000
Amount repayable		
Within one year	7,003	3,000
In more than one year but less than two years	33	3,052
	7,036	6,052

The above carrying values of the borrowings equate to the fair values. The trade loan facility is provided at interest rate of 2.25% over base rate pa and is available to the Company until 30 November 2023. The CBILS loan facility is provided at interest rate of 1.5% over base rate pa and is available to the Company until 31 October 2023.

Finance leases related to electric vehicles purchased as part of an employee benefit scheme. These have been discounted at a rate of 3.25%.

7. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022	2021
	£000	£000
Trade payables	49	81
Amounts due to group undertakings	758	2,408
Other taxation and social security	53	48
Accruals and deferred income	273	393
	1,133	2,930

8. SHARE CAPITAL

Details of movements in shares are set out in note 22 to the Group financial statements.

9. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption included in IAS 24 'Related Party Disclosures' not to disclose details of transactions with Group undertakings, on the grounds that it is the parent company of a Group whose accounts are publicly available.

Directors' transactions

Details of the Directors' interests in the ordinary share capital of the Company are provided in the Directors' Report.

10. SHARE-BASED PAYMENTS

The Company operates a number of share option arrangements for key executives and employees, further details of which can be found in note 24 to the Group financial statements. Further details of the arrangements for senior executives can be found in the Directors' Remuneration Report in the Group financial statements.

The Company recognised total credit of £11,636 in respect of the equity-settled share-based payment transactions in the period ended 30 September 2022 (2021: £446,030).

11. POST BALANCE SHEET EVENTS

There has been no events after the reporting date that require adjustment or disclosure in line with IAS10 events after the reporting period to the date of the approval of these financial statements.

