Foundation for Growth

Annual Report and Accounts 2019

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Tekmar Group plc's vision is to be the partner of choice for the supply and installation support of subsea protection equipment to the global offshore energy markets.

Highlights for the year

- Strong result in H2 with FY19 in line with revised market expectations
- Revenue growth of 28.3% with Compound Annual Growth Rate over last five years at 21.5%
- Strong balance sheet, following successful IPO in June 2018, enabling the Group to deliver on its growth and diversification strategy
- Adjusted EPS of 6.0p
- 100% market share of all cable protection systems into European Offshore Wind ("OWF") maintained by Tekmar Energy
- Two acquisitions completed in the year:
- Subsea Innovation in September 2018, adding complementary products in shared markets with specialist engineers to aid new product development
- Ryder Geotechnical on 28 March 2019 bringing earlier engagement to customers.
- Diversification strategy has broadened the Group's technology offering to 47 products (FY18: 20)
- Market Visibility at a record high of £50m a 44% increase year on year
- Long term global outlook in the Group's markets continues to be positive with oil price stable above $50 a barrel and the offshore wind outlook up by 51.3%

Cautionary note and disclaimer

Chairman’s Statement

Alasdair McDonald

I am pleased to present Tekmar Group’s results for the year ended 31 March 2019 (“FY19”), the first since our successful IPO in June last year. It has been an exciting and productive year for the Group, though not one without its challenges, which I am pleased to report that the team successfully addressed. The Group showed its resilience in FY19, delivering substantial revenue growth of 28%, despite facing a rapid change in the procurement pattern from its major offshore wind customers, which is detailed in the CEO’s Statement. This industry-wide change, which we reported in our H1 19 results, created a delay in the award of major contracts for our core product TekLink.

In line with our strategy to broaden the Group’s technology offering, we completed two complementary acquisitions during the year; Subsea Innovation in September 2018 and Ryder Geotechnical just prior to the year end. Both businesses have been successfully integrated and we are delighted with their contribution to the Group.

Whilst the level of growth in profitability in FY19 was affected by the timings in procurement activity in the offshore wind industry, our continued track record in offshore wind array projects in Europe demonstrates the business’ unique presence in this market place and provides a strong platform for growth over the next five years.

I believe the Group’s results for the full year demonstrate the strength of the management team and the people within the business. Whilst the level of profitability expected at the outset of the year has unavoidably been affected by the change in product mix, the management team has worked hard to deliver record revenues, making good progress on the diversification of revenue streams, both organically through innovation and via complementary acquisitions supporting the overall Group’s long term vision.

Delivery on strategy

The successful IPO strengthened the Group’s balance sheet considerably, enabling us to deliver on our stated strategic objective to diversify revenue streams and build a solid foundation for expansion and growth.

Maintain dominance in the existing and growing offshore wind market

I am pleased to report that, once again, we maintained our 100% market share for Array Cable Protection Systems in Europe. We achieved this through TekLink’s® intrinsic value proposition, which offers a total solution to customers, not just a product. In addition, we continue to harness technology and evolve the product which is now in its eighth generation.

Our overall market share of the global offshore wind market is circa 75%. We have an office in Shanghai, where we are seeing significant growth opportunities, supported by sales agents in Busan, Singapore and Abu Dhabi to support our global position.

£195m

Total sales enquiry book grew to a record of £195m, (a 35% increase YOY)

£50m

Market visibility at a record high, a 44% increase YOY.

28%

Year on Year Growth in Revenue (FY19 vs FY18)

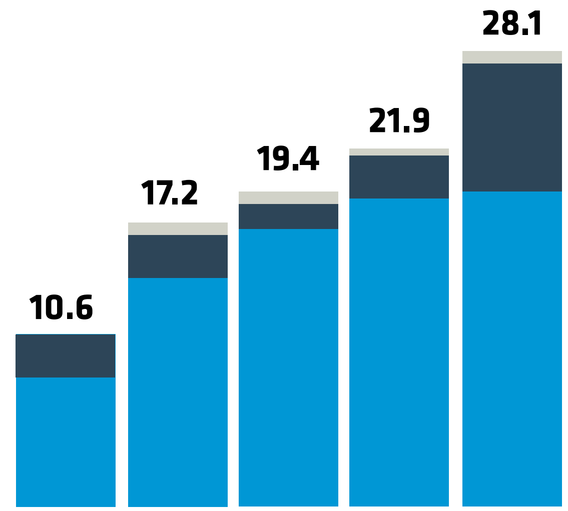
97% increase

Preferred Bidder Status FY19 vs FY18 (£14.9m vs £7.6m)

>20% CAGR

Markets showing long term growth of >20% CAGR predicted from 25.2 GW to 211.2 GW of projects underway by year 2028

5 year revenue growth



	FY15	FY16	FY17	FY18	FY19
Offshore Wind (%)	75	81	89	83	68
Subsea (%)	24	15	8	16	30
Engineering (%)	1	2	3	1	2
Total Revenue (£m)	10.6	17.4	19.4	21.9	28.1
Gross Profit (£m)	2.6	6.6	8	8.9	9.9
Gross Profit Margin (%)	25	38	41	41	35

Overseas growth
We continued our expansion into international markets and established an entity in China, a country where we expect to see significant growth for the Asia Pacific offshore wind market.

In the Middle East, we delivered a first 'In-Kingdom' project to National Petroleum Construction Company, as part of its long-term agreement with Saudi Aramco.

Grow market share in subsea oil and gas
The acquisition of Subsea Innovation, shortly after the IPO, increased the Group's access to the oil and gas market, brought significant potential for cross-selling opportunities and increased our technical capabilities and engineering capacity. The Group businesses have already worked together on a number of high profile projects, adding intrinsic customer value.

Add new product variations
During the year, we increased the number of products that we are able to offer to new and existing clients from 20 to 47 across all sectors.

Make selective acquisitions
We made two strategic acquisitions in FY19. In September, we acquired Subsea Innovation and, in March 2019, Ryder Geotechnical. Both companies met our strategic objectives of increasing the Group's technology and customer base and extending the Group offering into full lifecycle revenues on projects.

Governance
We adopted the QCA Corporate Governance Code, which is available to view on the Group's website. The Board recognises the importance of high standards of corporate governance and has appointed In-House Legal Counsel to support this.

The Group has a strong culture of excellence and safety first, which is supported by detailed and audited policies and I am pleased to note that Tekmar Energy was one of the first UK businesses to be accredited to ISO 45001, awarded by DNV. During this period of increased activity, the Group also achieved zero lost time incidents, putting its people and their safety first.

People
I would like to take this opportunity to thank all our people. Events beyond the Board's control made this a more challenging 12 months than anticipated. Our people have shown spirit and resilience to produce a strong H2 performance and, thanks to their efforts, the Group has delivered the best possible outcome for its shareholders.

Outlook
Market Visibility, our primary measure for Group outlook, was up 44% at £50.2m. This measure is calculated from the sum of the previous 12 months' turnover plus pending contracts under negotiation on which we have Preferred Bidder Status and the Group's Secured Order Book.

We expect the Group's FY20 results to follow similar weighting to that which we experienced in FY19 with the majority of revenue and profit being secured in the second half of the year. This seasonality has two primary drivers: offshore projects are generally executed during the summer months and the timing of the award of Government subsidies. As our diversification strategy develops through acquisition and product development, we anticipate that the Group's results performance will smooth out over future years.

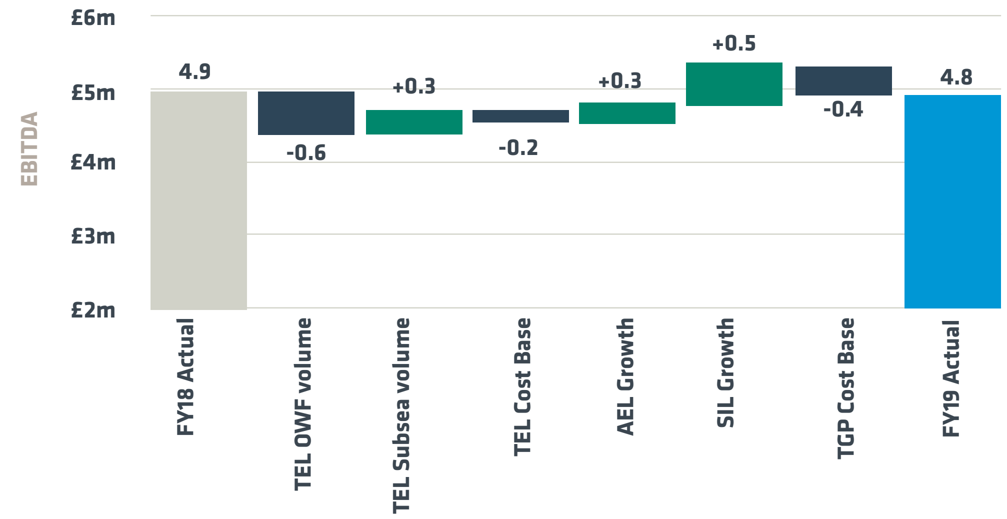
At the year end, our Order Book, which reflects the seasonality of contract awards as outlined above, stood at £7.2m - an increase of 33% on FY18. Pending contracts, on which we hold Preferred Bidder Status, have increased by 97% to £15m. The Group's Enquiry Book improved by 35% to £195m and our conversion rate on the bid to win ratio has increased from 56% to 62%.

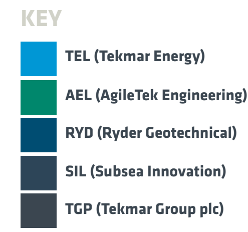
The market outlook for offshore wind and oil and gas are both strong, with offshore wind CAGR forecasts of above 20% between 2018-2028 and demand for products for the oil and gas market at a three-year high.

The Group remains focused on its strategy as stated at IPO to deliver long-term growth through the expansion of new products, organic growth and by selective and complementary acquisitions. On behalf of all the directors, I am pleased to report that the new financial year has started well and, with current order visibility levels, believe that the Group is making good progress to deliver results in line with market expectations in FY20.

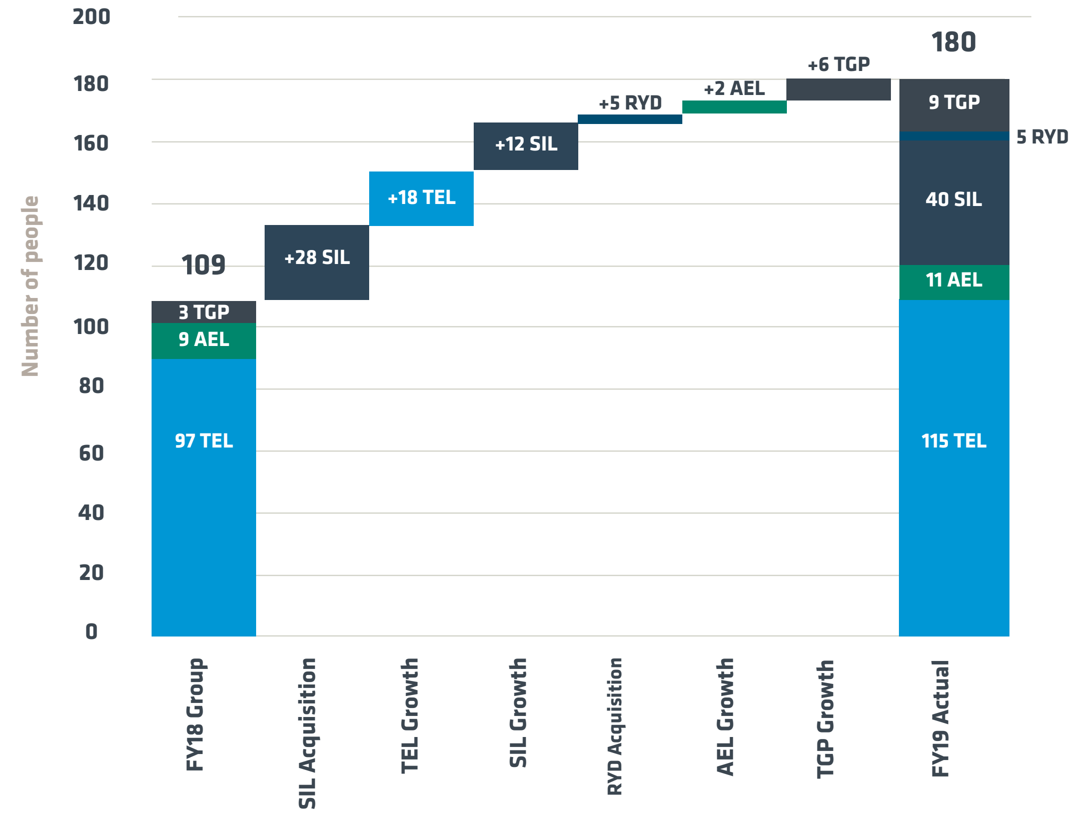
Alasdair MacDonald
Non-Executive Chairman

EBITDA Bridge (£m)





Recruitment Bridge FY19



Vision

Our vision is to be the partner of choice for the supply and installation support of subsea protection equipment to the global offshore energy markets.

Key Objectives

1) Sustainable **Growth**
2) Focus on value added technology for subsea and offshore (**Niche IP**).
3) Develop ways to get into projects early and stay in for longer (**Full life cycle**).
4) Leverage group support between companies (**Synergies**).

Key Enablers

1) Our core **values**
2) **Growing** global demand >20% CAGR
3) Strong **brand** and outstanding reputation
4) **Balance sheet** post IPO
5) Our core **strategy**

Values

- **Safety**
- **Heritage**
- **Innovation**
- **Collaboration**
- **People**

Investment case

Tekmar Group plc's vision is to be the partner of choice for the supply and installation support of subsea protection equipment to the global offshore energy markets.

We have a clear vision to become the partner of choice for the supply and installation support of subsea protection equipment to the global offshore energy markets. We aim to achieve this by growing our business through our people, track record, heritage and reputation for excellence. We believe that Tekmar Group's strategy, together with the following competitive strengths, distinguish it from its competitors in its chosen marketplaces.

We believe people choose to invest in Tekmar Group because of the following:

Leading market position and deep relationships with global clients Tekmar Group is a market leader in the protection of subsea assets in the offshore wind farm market. Its patented TekLink cable protection system (CPS) is the recognised solution for offshore wind cable protection.

Exposure to a structural high growth market
Building on the significant growth achieved in recent years, Tekmar Group has plans to accelerate its growth in the offshore wind market to meet demand in an expanding global market.

A culture of innovation
Tekmar Group's entry into the offshore wind farm market with the TekLink CPS product was a direct consequence of developing an innovative solution to meet a market need. The Group has continued to build on this pedigree and its heritage to develop a market leading range of products and solutions offered to the global offshore energy markets.

Strong track record of historical financial growth

Proven, experienced high-calibre management team
The Group benefits from a high-calibre senior management team with substantial industry experience, led by James Ritchie, the Group's Chief Executive Officer.

Together, the management team has driven the growth and strong financial performance of the business over the past several years and has a proven track record of delivering results.

Tekmar Energy is a global market leader in subsea cable, umbilical and flexible pipe protection systems. Tekmar have been trusted to protect billions of Euros worth of assets in the offshore wind, oil and gas, wave, tidal and interconnector markets.

AgileTek Engineering is an award-winning subsea engineering consultancy. AgileTek de-risks offshore projects through advanced computer simulation and analysis.

Subsea Innovation is a global leader in the design, manufacture and supply of complex engineered equipment and technology used in the offshore energy market.

Ryder provide expert geotechnical design and consulting services to the offshore oil and gas and renewables sectors. We believe that innovation and the application of engineering experience and knowledge are key to ensuring the success of any project.

Chief Executive Q&A

James Ritchie

This is your first year as a plc. What are the benefits of being a quoted company?
Joining AIM was a particularly proud moment for me. I was one of the first employees at Tekmar and led the business through rapid growth via private equity to flotation. It has been an incredible journey so far and IPO took us to the next stage. The fundraise significantly strengthened the Company's balance sheet, allowing us to pursue our vision and implement our growth strategy debt free and invest in the growth and diversification of the business. The new capital structure has also enhanced customer confidence, through the Group's increased profile and transparency, and by allowing us to remain independent, which is very important to our customers. Finally, it has allowed us to incentivise staff – aligning shareholder success with management reward. That sense of ownership really boosts staff morale.

What have been the stand-out moments for you?
Our successful float on AIM was a significant life achievement and experience for me. So, it was tough in the half year roadshow to have to present results that were lower than expectations, resulting from changes beyond our control in offshore wind procurement patterns. We explained these changes openly and honestly to our investors and are, hopefully, rebuilding confidence, having delivered on key parts of our strategy during the year and a significant result in the second half of the year. But seeing all four subsidiary companies working on a single project together in unison, creating intrinsic client value, was like creating a family and watching your four children play happily together. It was great to see.

How do you maintain your dominant position in the offshore wind farm market?
TekLink holds an intrinsic value proposition to its customers. It is a total solution not just a product and is, therefore, very hard to compete against. We work hard to educate all key stakeholders on the importance of the product and the benefits of working with Tekmar. Like any good technology company, we don't stand still. We are continually looking to evolve the product offering and the services we offer.

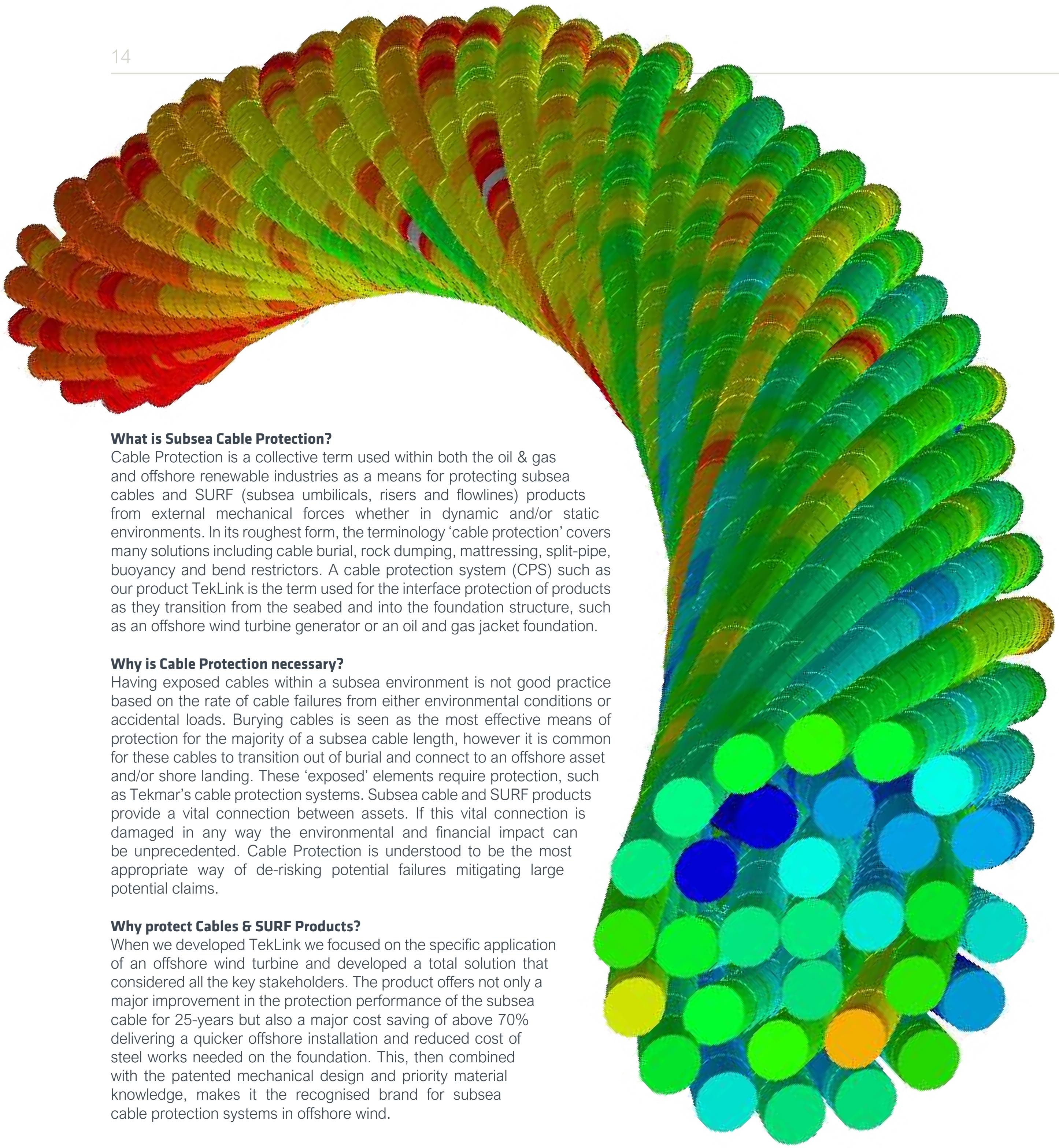
What are the growth opportunities in the offshore wind farm market?
In short, huge. According to the latest 4C offshore report, the industry is forecast to grow above 20% CAGR over the next 10 years, driven by a global commitment to renewables, decarbonisation and clean energy. Offshore Wind is providing a safe domestic power source in close proximity to some of the most densely populated parts of the planet that can be implemented rapidly on a massive scale. Crucially, this power source is now being implemented at competitive pricing levels, making wind the clear choice for future energy demand globally.

How much impact do you think a recovering oil and gas market will have on your business in the coming financial year?
We are a small fish in a big pond in oil and gas and this market is still dominating capital spend offshore, compared to renewables. We expect increased demand, driven by the stable price of oil, to increase the number of opportunities for the whole Group. It is important to keep a balance between both sectors as the market transitions to renewable energy sources, whilst maintaining our strategic long term focus on renewables.

Do you have any interesting new products under development?
Absolutely! During the year we have increased the number of products we offer by 135% from 20 to 47, through acquisition and R&D. We have a long term R&D programme and are committed to investing continually in new product ideas designed to save client's money, improve efficiencies offshore and produce the best possible shareholder returns.

What most excites you about the future?
Undoubtedly, it is the global growth opportunity in renewables: as the cost competitiveness of this industry matures, the opportunities will multiply. But also, building a robust and diversified portfolio of businesses, through organic growth and the total integration of acquisition targets, which generate full lifecycle revenues on projects and realise our absolute vision.

> "We are continually looking to evolve the product offering and the services we offer."
>
> James Ritchie, CEO



What is Subsea Cable Protection?
Cable Protection is a collective term used within both the oil & gas and offshore renewable industries as a means for protecting subsea cables and SURF (subsea umbilicals, risers and flowlines) products from external mechanical forces whether in dynamic and/or static environments. In its roughest form, the terminology 'cable protection' covers many solutions including cable burial, rock dumping, mattressing, split-pipe, buoyancy and bend restrictors. A cable protection system (CPS) such as our product TekLink is the term used for the interface protection of products as they transition from the seabed and into the foundation structure, such as an offshore wind turbine generator or an oil and gas jacket foundation.

Why is Cable Protection necessary?
Having exposed cables within a subsea environment is not good practice based on the rate of cable failures from either environmental conditions or accidental loads. Burying cables is seen as the most effective means of protection for the majority of a subsea cable length, however it is common for these cables to transition out of burial and connect to an offshore asset and/or shore landing. These 'exposed' elements require protection, such as Tekmar's cable protection systems. Subsea cable and SURF products provide a vital connection between assets. If this vital connection is damaged in any way the environmental and financial impact can be unprecedented. Cable Protection is understood to be the most appropriate way of de-risking potential failures mitigating large potential claims.

Why protect Cables & SURF Products?
When we developed TekLink we focused on the specific application of an offshore wind turbine and developed a total solution that considered all the key stakeholders. The product offers not only a major improvement in the protection performance of the subsea cable for 25-years but also a major cost saving of above 70% delivering a quicker offshore installation and reduced cost of steel works needed on the foundation. This, then combined with the patented mechanical design and priority material knowledge, makes it the recognised brand for subsea cable protection systems in offshore wind.

A year of achievements

TGP floated 20 June 2018

100%
TekLink CPS retained its leading market position; sustaining its track record of 100% market share in the EU

33%
Increase in order book FY19

62%
Sales conversions exceeded internal KPI, achieving 62%, a 10% improvement

zero
Lost Time Incidents for 2019

Two acquisitions

Subsea Innovation Ltd - September 2018
Ryder Geotechnical Ltd - March 2019

subsea innovation

RYDER GEOTECHNICAL

Strategic Report

Establishing a strategy and business model that promotes long-term value for shareholders.

The Board has a clear strategy for delivering long-term shareholder value. We will do this through:

a) Increasing market share - through focusing on our differentiated value proposition.
b) Bringing in new opportunities - through adding new customers.
c) Increasing our offer to the market - through increasing our technology and service portfolio.
d) Maximise growth - through developing a strong regional presence in high demand and high growth areas.

The strategy is supported by our core building blocks of:

• **Organic Growth** – increasing sales to new and existing customers.
• **Accelerated Growth** – investing in our business, R&D and operations.
• **Acquisition Strategy** – targeting businesses which align with our brand and values; that would benefit from Group support; will add to Tekmar's customer base and product offering; smooth seasonality of contract revenues; and which leverage engineering skills whilst maintaining margins.

Strategic Report Contents

Market Review - Offshore Wind

Industry growth predicted from 25.2 GW to 227 GW of projects underway by year 2028.

Offshore wind is now a mainstream supplier of low-carbon electricity. The UK is the world leader in offshore wind with more capacity installed than any other country. This growth has been supported by the cost of electricity from new offshore wind projects has fallen by around 50%, making it cheaper than gas or nuclear.

Supportive regulation in the developed world has resulted in significant inflows of public and private investment, while governmental commitments to meet climate change targets are expected to drive demand for increases in global renewable energy capacity.

The UK retains its position as the global leader in installed offshore wind capacity with a total of 9.7 GW of capacity currently installed. The global total stands at 25.2 GW, up from 20.8 GW in April 2019, with another 16.3 GW of capacity currently under-construction but yet to be installed, or in pre-construction.

Future Growth 2019 - 2028
Based on projects included within 4C Offshore's Project Opportunity Pipeline we expect to see the industry grow from the current installed capacity worldwide of 25.2 GW to a cumulative total of 227 GW of projects underway by year 2028, meaning a total of 186 GW of capacity should enter construction between now and the end of 2028.

Significant growth is expected to arise from within APAC. Europe will also grow and we should also see significant emerging demand in markets such as the United States and India giving the industry an annual capacity growth rate above 20%.

Market Highlights:
1) Zero subsidy projects now under way within Europe.
2) Analysts drastically increase outlook to 227GW from 150GW and accelerated CAGR from 15% to above 20%.
4) UK set clear plans to support 30GW by 2030 (Currently 9.7GW) and path to zero subsidies for Round 4 following announcement of the recent UK Government Sector Deal.

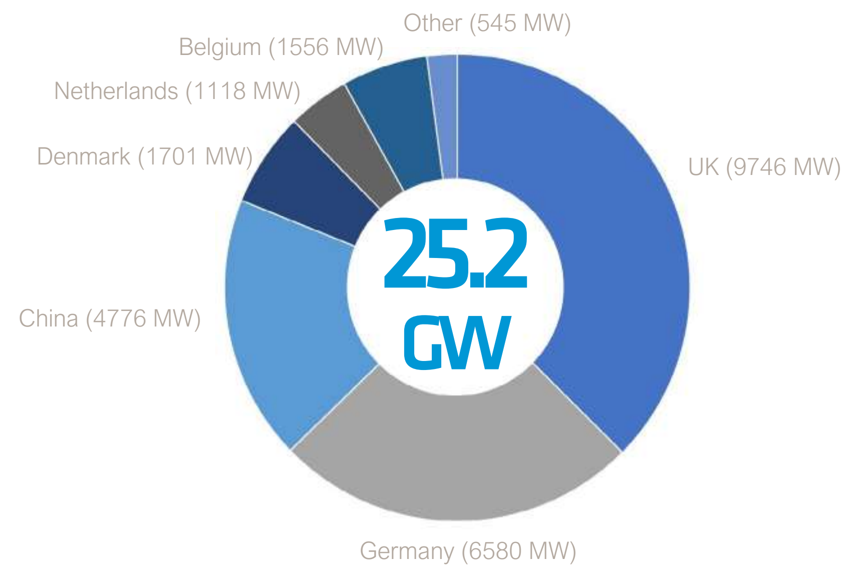
Tekmar Highlights:
1) Tekmar Energy is pleased with our market penetration, product propositioning and customer concentration. Clients include VBMS, Van Oord, Ørsted, JDR, Tideway, Prysmian, Iberdrola.
2) Tekmar Energy is supplying their first floating renewable CPS system.
3) TekLink 8th Generation has secured 100% EU IAC market share.
4) Tekmar Energy supplied cable protection systems to the biggest OWF in China (Binhai P2) and also the follow-on project Dafeng H3.
5) Tekmar Energy has increased its market share of other products including hang-offs and operations and maintenance solutions.

£550 Bn

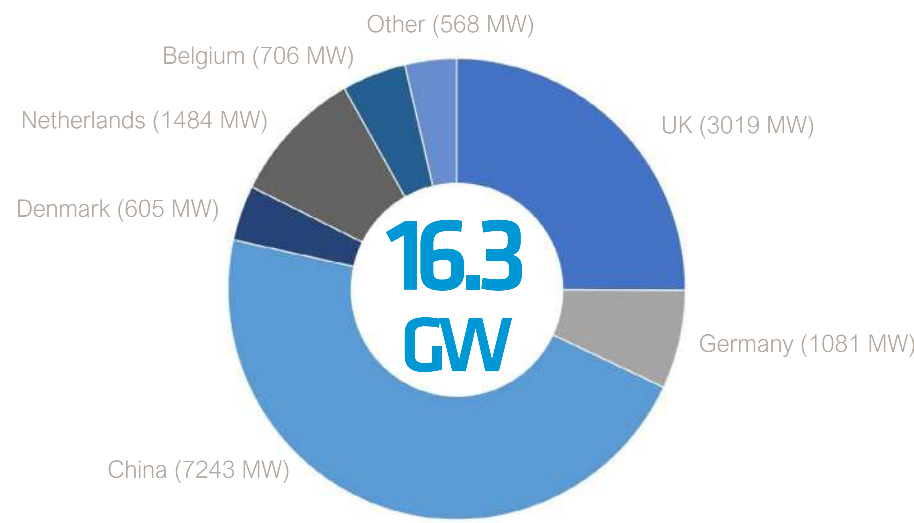
Estimated Spend over 10 years (90% CAPEX 10% OPEX)

Offshore Wind Market
10 year outlook
2018 vs 2019

Installed capacity by country 2019



Under construction and pre-construction, capacity yet to be installed



Source information: 4C Offshore Wind Farm Global Market Overview Report - April 2019

Market Review - Oil and Gas

Pricing has remained above the $50 trigger point for the past two years

The subsea oil and gas market has experienced a period of turbulence since 2014, with increasing price pressure driven by underlying supply and demand dynamics. The price per barrel for Brent Crude dipped below $30 in 2016, resulting in a drop in demand for new projects and new equipment. This dip also forced companies to seek more cost-effective solutions to ensure that the price of extraction remained viable. The oil price has now stabilised above $50 per barrel and as more projects are coming back online the industry has gone through a restructuring process and the offshore market is beginning to see a gradual increase in tendering activity.

The market for providers of offshore oil and gas protection solutions, reflective of the wider oil and gas sector, is more mature than that of the offshore wind sector.

For Tekmar Group, we are expanding our offer to protect pipelines with equipment; such as Subsea Innovation's Emergency Pipeline Repair Claims (EPRC) and AgileTek's analysis of subsea umbilicals, risers and flowlines (SURF); as we look to increase revenues from all global energy markets.

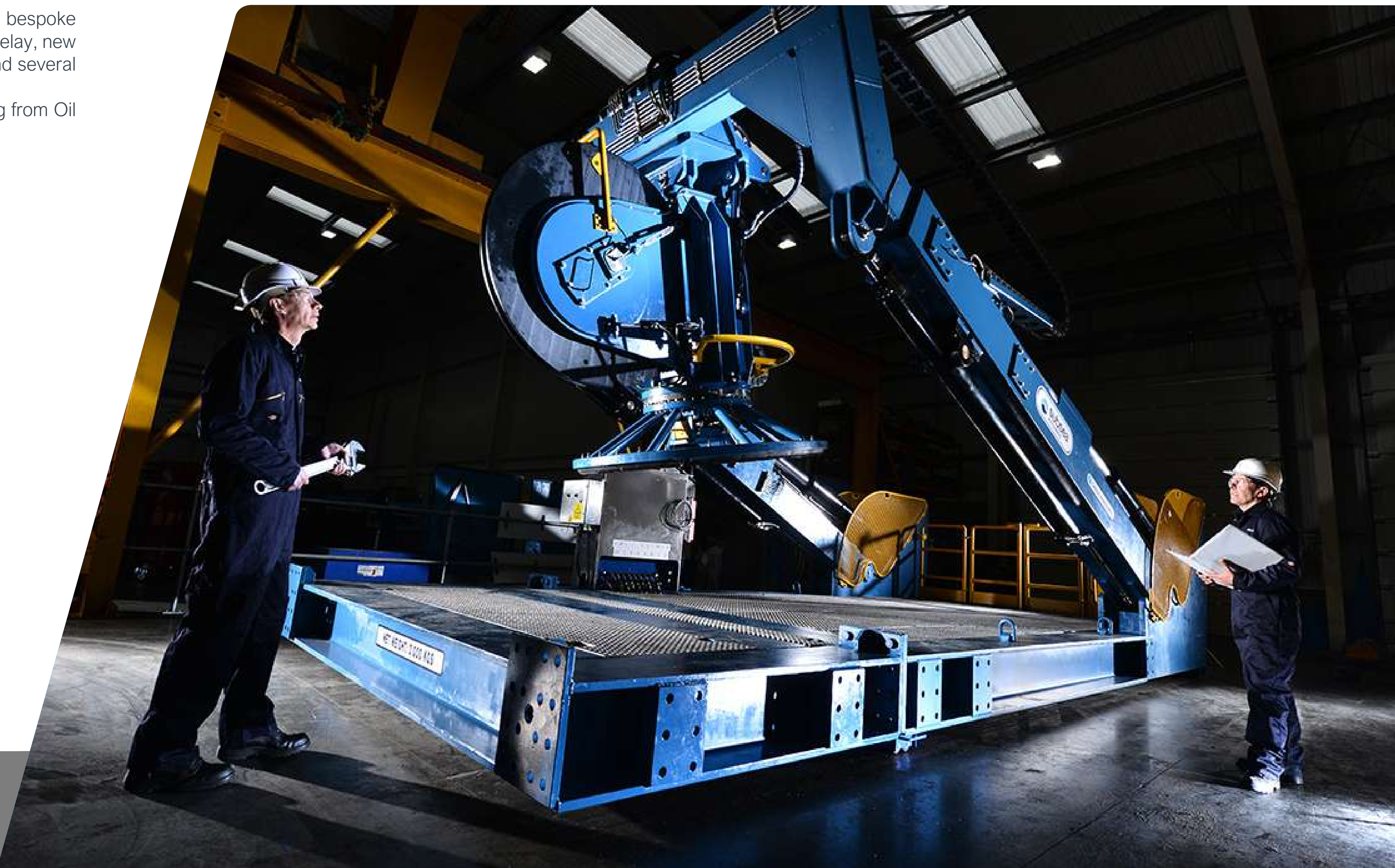
Highlights:

1) Analysts increase outlook for Brent to $69/bbl and supply chain requirement towards $54/bbl.
2) Tekmar Group's main focus markets are Middle East and local UK customers for export.
3) Tekmar Group key clients include; Subsea 7, Technip, Saipem, Royal IHC, NPCC, GE, EMAS.
4) Tekmar Energy supplying first in country content in Saudi, first API products to GE, expecting 42% growth from FY18.
5) Subsea Innovation supplying three bespoke engineering packages for IHC for backdeck pipelay, new generation of pipe-in-pipe seal for Subsea 7 and several innovative pipeline repair solutions.
6) 73% of all offshore capital spend still coming from Oil and Gas.

$69

Brent Crude Price - 31 March 2019

> **"The market is at a 3 year high and demand is picking up."**
>
> James Ritchie, CEO



Our business model

A world-leading subsea technology business, built on innovation

Group Revenues are split into the following sectors and subsectors. Across the group there are no unique customers. All customers are applicable for all Group companies, allowing the Group to cross-sell all products and services; working together with the same clients, providing more revenue per client and also providing a longer project lifecycle. A complete approach to subsea protection.

As the business grows, our aim is to increase the revenue per project, “more £ per stick” from all stages of offshore energy and subsea projects. We also have an aim to gain maximum visibility on projects as early as possible, with our two design analysis businesses assisting in us gaining visibility on projects as early as possible, to the greater benefit of the Group.

Revenue split by market

68% Offshore Wind £19.2m

30% Subsea £8.4m

2% Engineering £543k

The Group operates within one segment in accordance with IFRS8 but we do track markets and areas which our businesses operate in.

Group revenue split:

84% Tekmar Energy

12% subsea innovation

4% AgileTek Engineering

Not included in FY19 figures RYDER GEOTECHNICAL

TEL revenue split:

40% TekLink
60% Other

Sectors:

OWF - Offshore Wind
O&G - Oil and Gas
IC - Interconnectors
W&T - Wave and Tidal
Marine

Revenues from: Technology Provider
Applications: Power Cables, SURF, Telecom, Pipeline, Vessel, Topsides
Customers: End Users, EPIC, Manufacturers

Project Phases:

DEVEX Development Expenditure
CAPEX Project Build Phase,
OPEX Project Operation and Maintenance

Locations include:

UK, EU, Middle East, North America, South America, Asia Pacific, China

Product Categories:

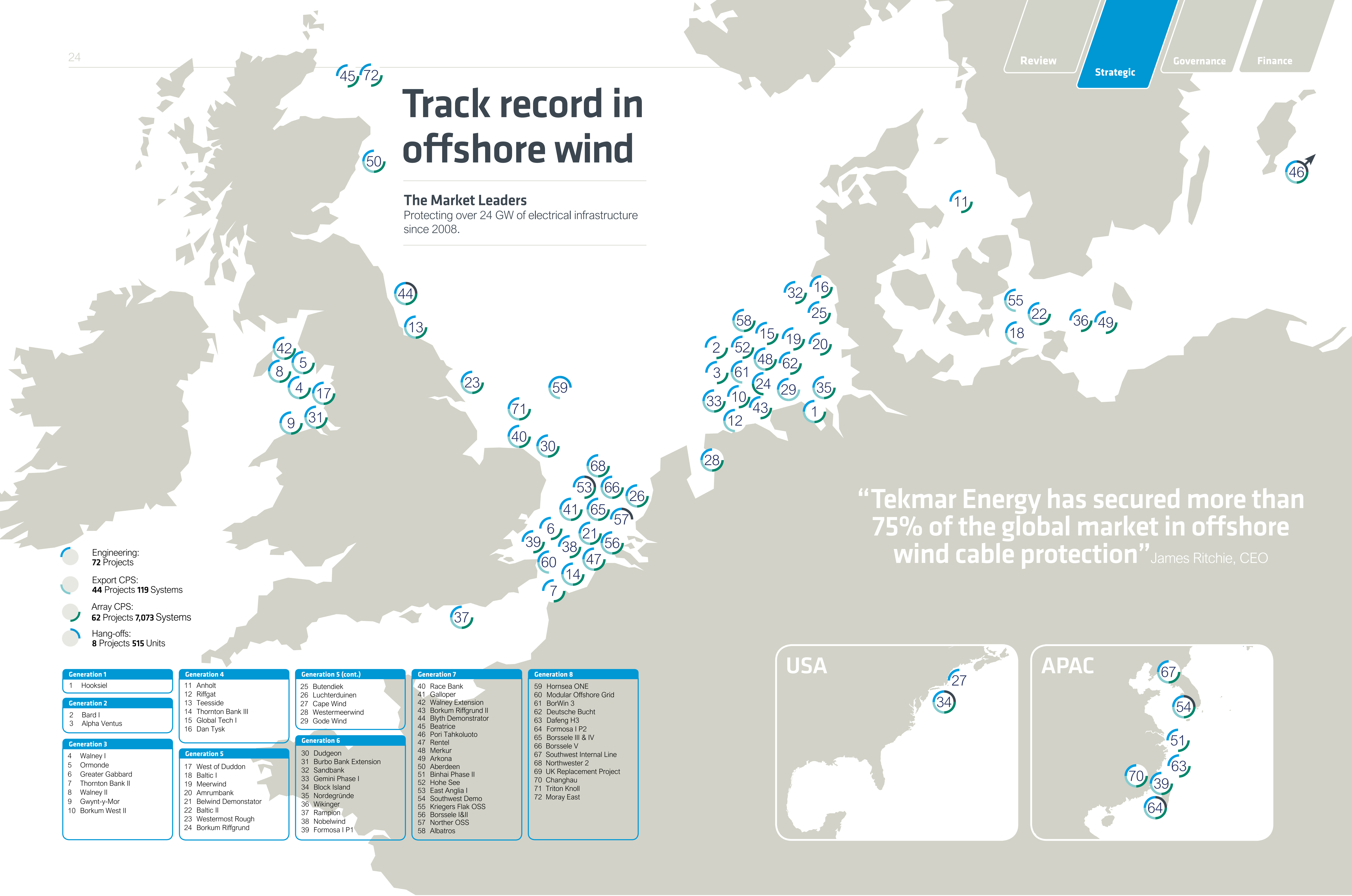
- Cable Protection System (CPS)
- Pipeline Repair (PR)
- Cable Protection (CP)
- Hang-Offs (HO)
- Bend Protection (BP)
- Structural
- Mechanical
- Engineering

An example of Tekmar Group products are shown in page 26.

Track record in offshore wind

The Market Leaders

Protecting over 24 GW of electrical infrastructure since 2008.



Engineering:
72 Projects

Export CPS:
44 Projects **119** Systems

Array CPS:
62 Projects **7,073** Systems

Hang-offs:
8 Projects **515** Units

Generation 1
1 Hooksiel

Generation 2
2 Bard I
3 Alpha Ventus

Generation 3
4 Walney I
5 Ormonde
6 Greater Gabbard
7 Thornton Bank II
8 Walney II
9 Gwynt-y-Mor
10 Borkum West II

Generation 4
11 Anholt
12 Riffgat
13 Teesside
14 Thornton Bank III
15 Global Tech I
16 Dan Tysk

Generation 5
17 West of Duddon
18 Baltic I
19 Meerwind
20 Amrumbank
21 Belwind Demonstator
22 Baltic II
23 Westermost Rough
24 Borkum Riffgrund

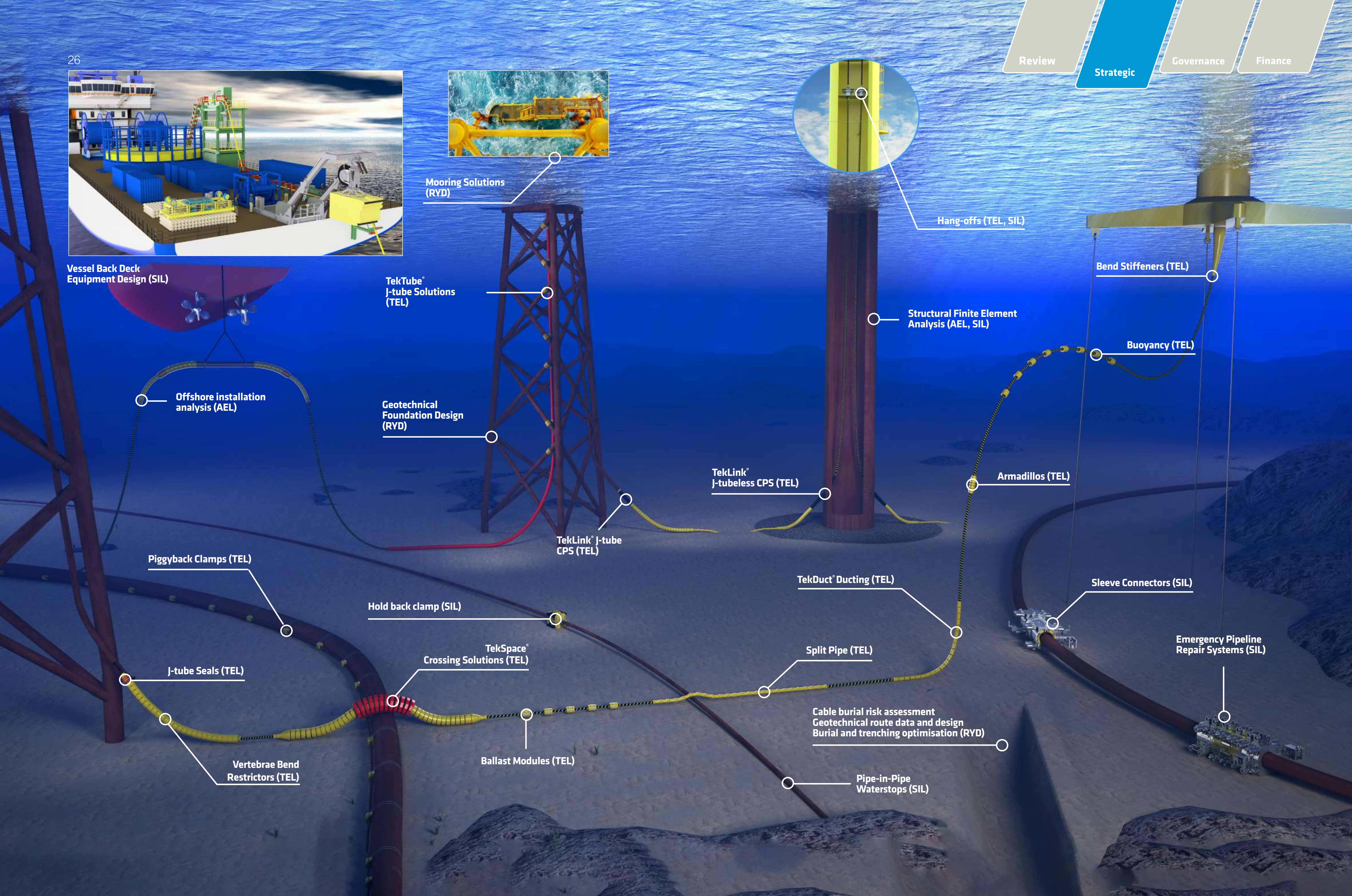
Generation 5 (cont.)
25 Butendiek
26 Luchterduinen
27 Cape Wind
28 Westermeerwind
29 Gode Wind

Generation 6
30 Dudgeon
31 Burbo Bank Extension
32 Sandbank
33 Gemini Phase I
34 Block Island
35 Nordegründe
36 Wikinger
37 Rampion
38 Nobelwind
39 Formosa I P1

Generation 7
40 Race Bank
41 Galloper
42 Walney Extension
43 Borkum Riffgrund II
44 Blyth Demonstrator
45 Beatrice
46 Pori Tahkoluoto
47 Rentel
48 Merkur
49 Arkona
50 Aberdeen
51 Binhai Phase II
52 Hohe See
53 East Anglia I
54 Southwest Demo
55 Kriegers Flak OSS
56 Borssele I&II
57 Norther OSS
58 Albatros

Generation 8
59 Hornsea ONE
60 Modular Offshore Grid
61 BorWin 3
62 Deutsche Bucht
63 Dafeng H3
64 Formosa I P2
65 Borssele III & IV
66 Borssele V
67 Southwest Internal Line
68 Northwester 2
69 UK Replacement Project
70 Changhau
71 Triton Knoll
72 Moray East

"Tekmar Energy has secured more than 75% of the global market in offshore wind cable protection" James Ritchie, CEO


Vessel Back Deck Equipment Design (SIL)
Mooring Solutions (RYD)
Hang-offs (TEL, SIL)
TekTube® J-tube Solutions (TEL)
Bend Stiffeners (TEL)
Structural Finite Element Analysis (AEL, SIL)
Buoyancy (TEL)
Offshore installation analysis (AEL)
Geotechnical Foundation Design (RYD)
Armadillos (TEL)
TekLink® J-tubeless CPS (TEL)
TekLink® J-tube CPS (TEL)
Piggyback Clamps (TEL)
TekDuct® Ducting (TEL)
Sleeve Connectors (SIL)
Hold back clamp (SIL)
Emergency Pipeline Repair Systems (SIL)
TekSpace® Crossing Solutions (TEL)
Split Pipe (TEL)
J-tube Seals (TEL)
Cable burial risk assessment
Geotechnical route data and design
Burial and trenching optimisation (RYD)
Vertebrae Bend Restrictors (TEL)
Ballast Modules (TEL)
Pipe-in-Pipe Waterstops (SIL)

Our Strategy in Action

Increased revenue per project by combined product offering

The Group's objective is to be the partner of choice for the supply of subsea protection equipment to the global offshore energy markets. The Group has a strong track record of organic growth and intends to grow its business in the following ways:

Organic Growth

Markets growing; OWF growing at >20% CAGR Oil and Gas stable >$50 PBL

Successes in the year:
1) Grew revenues by 28%.
2) Preferred bidder status a record high at £15m (a 97% YOY improvement).
2) Tekmar Energy's core product TekLink CPS retained its leading market position; sustaining its track record of 100% market share in the EU.
3) Order book increased 33% to £7.2m.
4) Total sales enquiry book grew to a record of £195m, (a 35% increase YOY) and conversions at 62%.

Related Risk Factors:
General Economic Environment, Project timings, Technology, Key Staff Members

Accelerated Growth

Investment in new technology, operational efficiency, expand overseas

Successes in the year:
1) Increased TRL from 20 to 47 products.
2) Zero Lost time incidents and overall improvement towards quality KPI's.
3) Our strategy for international opportunities within the ME for O&G and APAC for OWF are progressing well.

Related Risk Factors:
Technology and competition, Risk of claims

Acquisition Strategy

M&A targets; Shared vision Technology and sector focus Leverage group support Share customers Project Life cycle

Successes in the year:
1) Two acquisitions successfully completed; with Ryder Geotechnical Limited and Subsea Innovation Limited.
2) The acquisitions are adding value, generating more full life cycle revenues and a stronger customer proposition within Group.

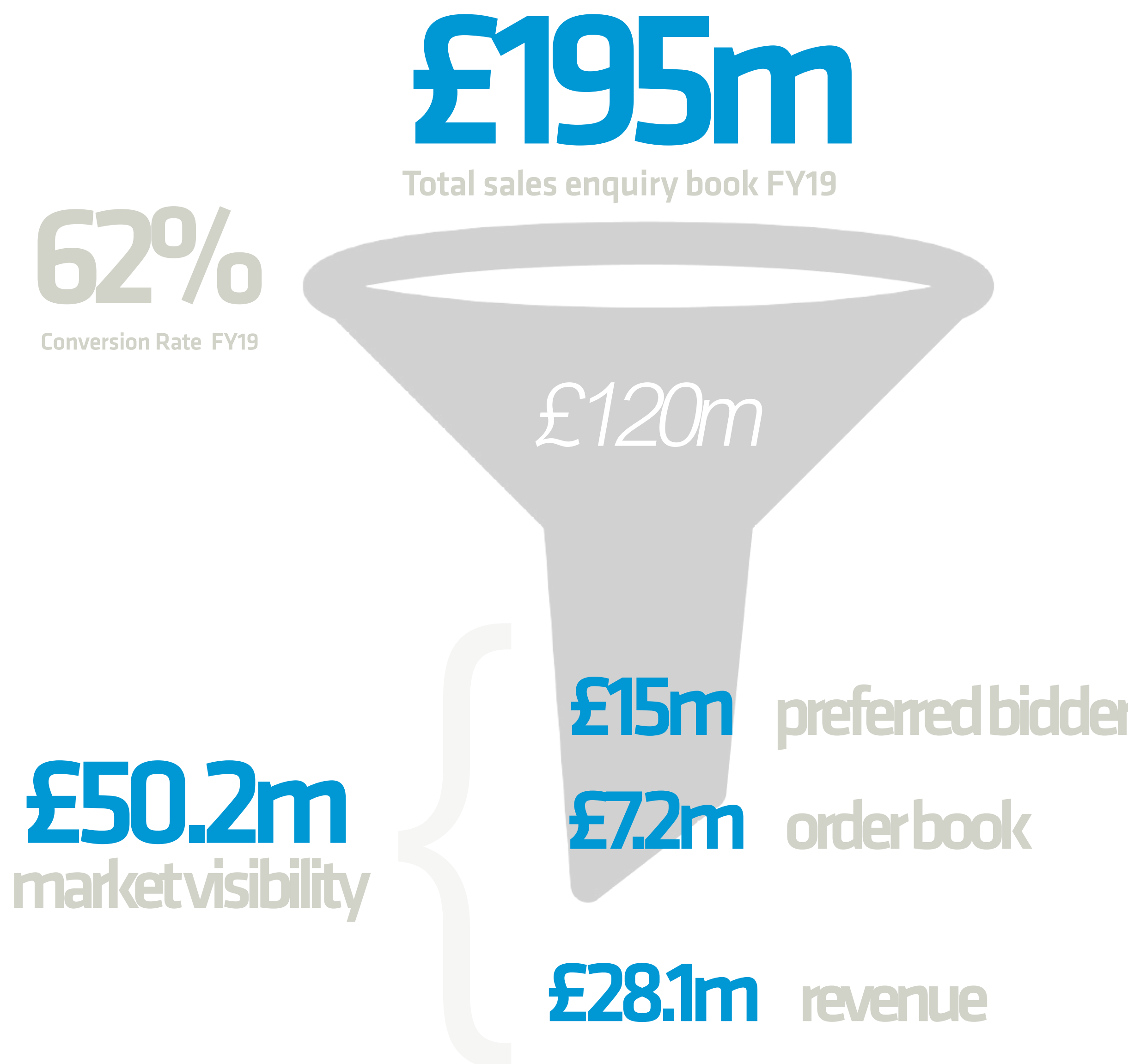
Related Risk Factors:
Systems and Processes, Availability of capital

> "Generating more full life cycle revenues and a stronger customer proposition within Group."
>
> James Ritchie, CEO

Key Performance Indicators

Identifying and monitoring the key indicators of success in our business.

KPI	FY19	FY18	Change	%
Enquiry book	£194.6m	£144.6m	+£50m	+35%
Preferred Bidder	£15.0m	£7.6m	+£7.4m	+97%
Order book	£7.2m	£5.4m	+£1.8m	+33%
Revenue	£28.1m	£21.9m	+£6.2m	+28%
Market visibility	£50.2m	£34.9m	+£15.3m	+44%
Conversion Rate	62%	56%	+6%	+10%
Book to Bill	103%	78%	25%	33%
People	180	109	+71	+65%
Technology	47	20	+27	130%



Risk Management

Identifying and monitoring the key risks in our business to inform strategic decision making.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. This risk management is included and reviewed monthly. As an offshore energy business, managing risk is core to our everyday responsibilities and has been demonstrated by over 30 years of proven policies, procedures and behaviours.

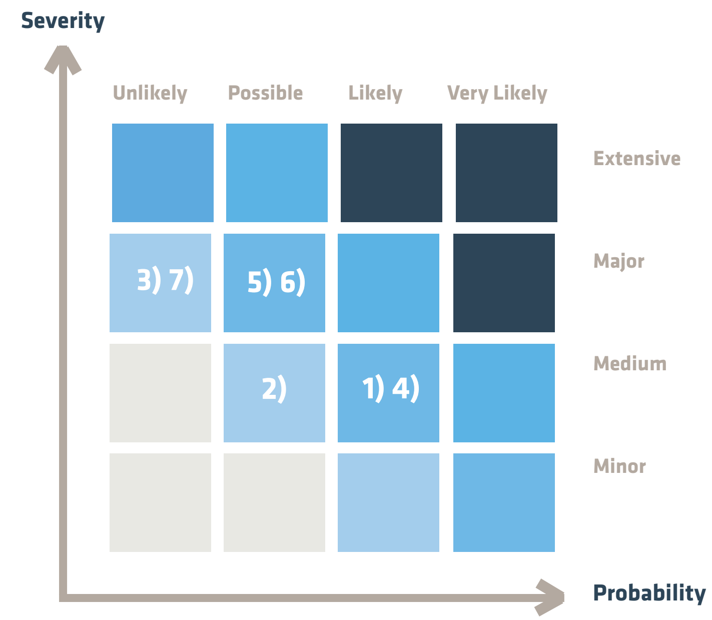
The objective of the Board is to set policies that seek to reduce ongoing risk as far as possible without unduly affecting the Group's competitiveness and flexibility. The Board believes this helps to sustain shareholder value; including the company's supply chain, from key suppliers to end-customer; while also protecting the Group's corporate culture.

Risk management, including financial and non-financial controls; what the board does to identify, assess and manage risk and how it gets assurance that the risk management and control systems are effective, is covered by the company's business risk assessment procedures. The Group operates a structured risk management process, which identifies and evaluates risks and uncertainties and reviews mitigation activity, including a bi-mionthly review of all risks and opportunities.

The most relevant and significant risks that the Board considers could potentially affect the business (based on the risk assessment described above) are described below. We consider the Group's principal risks have not materially changed since our admission in June last year.

Risk Type:

- Strategic
- Financial
- Operational
- Compliance



Risk		Risk Type	Description	Impact	Mitigation	Evaluation
1)	**Macroeconomic environment (including Brexit)**		On 23 June 2016, the UK held a referendum on the UK's continued membership of the EU. This resulted in a vote for the UK to exit the EU. There are significant uncertainties in relation to the terms within which such an exit will be effected, and to what the impact will be on the fiscal, monetary and regulatory landscape in the UK.	The overall trading conditions for the company and environment in which we operate.	Brexit is closely monitored by the business, and any potential changes are planned and prepared. Monitoring. Planning. Preparing.	No Change
2)	**Systems and processes**		IT systems are integral to the operations of the Group. Failure to adequately invest in 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.	Failure of systems could lead to an inability to meet customers' needs and lead to reputational damage with all stakeholders. The loss of sensitive information could lead to significant damage with an associated risk of fines.	The Group outsources provision of IT services to a suitably qualified third-party, whose competence and service are regularly reviewed. 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.	No Change
3)	**Access to capital**		Linked to Macroeconomic environment, access to capital is a significant factor in the growth plans of the company. There is uncertainty in relation to how, when and to what extent these developments will impact on the economy, levels of investor activity and confidence and on market performance and exchange rates.	Without access to finance the company may struggle on its ability to undertake all aspects of its growth plan such as accelerated growth and acquisition strategy.	Currently the business is cash positive with no debt and has ongoing relationships with banks and other financial institutions that offer the required level of support.	No Change

	Risk	Risk Type	Description	Impact	Mitigation	Evaluation
4)	**Project timings and delay to contract awards**		The project-based, contractual nature of the Group's business, compounded by its concentrated customer base, brings with it a revenue profile that is inherently uneven. Most contract awards and revenues are dependent on large capital projects within the energy sector the timing of which is out of the businesses control.	There is an associated risk that the completion of any contract, together with its attributable 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 that specific period.	The business undertakes a detailed three-year strategic planning review that includes an independent assessment on project timing and the revenue streams macro climate. The long-term strategy that is being implemented by the business is for diversification into full life cycle revenues on projects while keeping sales across multiple sectors including renewables, oil and gas, energy, subsea, marine.	**No Change:** We have started to diversify as described within the mitigation, further we have no specific triggers within our forecast to suggest any further delays to our major projects. However, given the impact to our H1 results we feel it is prudent to advise that this risk is still prevailing.
5)	**Technology and competition**		The risk of new competitors, and/or design changes leading to technology becoming redundant in the market and subsequently reduced volume of sales.	Reduced volume of sales. Increase in capital expenditure to develop new products. Reduction in Group's financial performance.	The business undergoes a detailed (TRL) technology readiness level program when developing new products that includes review of competition and what our ultimate value proposition would be. The business where possible invest in intellectual property protection including the use of trademarks and patent protection. A large investment is made in evolving existing products to ensure they keep pace with current market trends.	**Reduced:** Given the investment in R&D hours and increase in respective market share would suggest that the value proposition for our technology is well regarded.
6)	**Recruitment and Retention of Key People**		The business may fail to attract, retain and develop key staff members of the required calibre particularly within commercials and engineering and further to plan for succession in leadership positions.	A major impact on the businesses ability to perform its contractual obligations. Impact to the future growth strategy for the business.	The businesses monitor staff retention as a specific KPI and people are all core values within each company, further an independent assessment with Investors in people is undertaken bi-annually. Ongoing skill matrix with risk mitigation plans is developed annually by HR. We regularly review our offering to ensure we are competitive against other local firms.	**Increased:** Given the increased volume of staff recruitment there is an inherent retention risk. Further with growth expectations across many subsea sectors and a shortage of engineers our staff's skill are in high demand.
7)	**Risk of claims and failure to meet contractual obligations**		The Group enters into contracts that contain terms that, in some cases, contain wide reaching warranties and indemnities. These terms are prevalent in the subsea industry and do not unfairly prejudice the Group, nor are they considered likely to put the Group in a material worse position than its peers and competitors. Such warranties and indemnities given by the Group create an inherent risk that its liability for any breach could be extensive, especially if these are given on an uncapped basis.	Financial impact if aspects of the claim were not insured. Reputational damage in the industry that could reduce repeat orders from our customer base.	Contracts are reviewed extensively, and the likelihood of risks assessed by legal and technical teams. Uncapped liabilities are kept to a minimum and are only agreed to for areas of the contract that Directors believe are very low risk. Where possible the Group will insure against risks to minimise the financial impact. Strong focus on high quality project execution which is regularly reviewed under independent ISO certification.	**Reduced:** Whilst this risk is constantly reviewed the Group has not had this risk come to fruition. Further investment in key roles to reduce this risk, including appointing In-House Legal Counsel and Senior Project Managers. Improvement reported in our recent ISO accreditation reviewed independently by DNV.

Sustainability and Corporate Social Responsibility

Creating a sustainable business model to remain efficient and competitive

Tekmar recognise that creating a sustainable business will enable the Group to deliver its strategy whilst remaining efficient and competitive. We are committed to ensuring that we are all conscious of and committed to our responsibilities towards the people, communities, businesses and environments impacted by our business in the many different markets in which we operate.

Environment
We are committed to conducting business in an environmentally responsible manner. We are putting in place processes to understand and address our responsibilities in respect of our operational impacts on the environment, including climate change.

Employees
We believe it is important to dedicate time, effort and attention to implementing systems, ways of working and initiatives to create conditions in which people are eager and empowered to contribute.

Shareholders
The Company maintains and values regular communication with shareholders.

Local communities
We encourage our businesses and employees to support local communities within their operational areas. The Group's businesses are spread across the UK and internationally. Product and service procurement is site-specific which means many of our businesses are able to procure products and services locally to support the local supply chain and sustain local jobs. Each Tekmar Group business encourages and supports its employees to engage with local community projects and to make a positive impact on their local communities.

Customers and suppliers
Our customers and suppliers are extremely important to us. We have followed a customer-led strategy with regards to expansion into international markets and we are proud to be a trusted partner of many major corporations, government agencies and other customers around the world.

Every customer has different needs and expectations and we have developed long relationships through active engagement with customers and suppliers over many years to help customers find the product and service solutions they need.

Tekmar Group is committed to ensuring that legal compliance, respect for human rights and transparent business ethics are cemented both up and down our supply chain.

Innovation and technology
The entrepreneurial culture of Tekmar Group allows for product and service innovation to move fast in response to changes in the market and the competitive environment. Tekmar Group businesses look to engage with customers in a way that allows them to identify and help solve customer needs. Engagement with employees and suppliers allows the business to solve those customer needs through innovation.

Safety
We strive to have a proactive attitude towards health, safety, quality and the environment (HSQE) among all our stakeholders. We operate a safety-first policy ensuring that everyone takes equal responsibility and ownership for one's own and others safety. We pride ourselves on our open and honest reporting culture with an aim to achieve a 'zero' Lost Time Incident goal.


Images left to right; Tekmar Energy supporting Butterwick Hospice, Subsea Innovation supporting a local suicide prevention charity, James Ritchie presenting at a local offshore renewables event raising awareness of the opportunities in the sector.

Respect for human rights
The Group is committed to supporting and respecting human rights in the workplace and in the communities in which it operates across its international business.

We have work practices and policies throughout the Group which are designed to ensure that respect for human rights is integrated into the systems and culture of our businesses.

We do not tolerate the use of child or forced labour within our business and take all steps possible to ensure that our suppliers and customers also uphold internationally recognised human rights.

The Modern Slavery statement outlines steps taken by the Group to ensure that there is transparency in the Group and throughout our supply chains. The Group encourages any concerns relating to modern slavery to be raised using the procedure set out in the whistleblowing policy.

Business ethics, anti-bribery and corruption matters
We aim to act responsibly and ethically in all of our business dealings. We aim to instil the highest standards of business behaviour across the Group and we focus on embedding a culture of ethical compliance so that all of our people understand the standards of ethical business practice that are expected of them.

The Group has an established anti-bribery and corruption policy and has introduced a compliance programme which has the support of the Board and senior management within the Group. The programme includes communication of the statement and policy, training, risk assessment, monitoring and review processes. Employees assessed to be at risk are required to complete the training and to self-certify that they understand and agree to be bound by its provisions. The Group does not permit bribery, nor illegal or corrupt business practices.

Supply Chain
Tekmar Group is committed to supporting the supply chains in which we operate. We are members of several trade bodies who raise awareness of the opportunities; including allowing us to share with the supply chain how to do business with Tekmar. Our memberships include, but are not limited to: RenewableUK, NOF, EnergiCoast, SubseaUK, EIC and Wind Europe.

James Ritchie is also Chairman of EnergiCoast, a representative group for the North East of England's offshore renewables sector.

ISO Standards
Within the Tekmar Group, our businesses are accredited to all of the required international standards. These include, but are not limited to:

ISO 45001:2018
ISO 14001:2015
ISO 9001:2015
ISO/TS 29001:2010

Tekmar Energy was also the first offshore & manufacturing company in the UK to be recommended for ISO 45001:2018, awarded in Sept 2018.

Images: Tekmar Energy MD Russell Edmondson and HSQE Manager Rob McGill after receiving ISO 45001:2018.

Chief Executive Review

How the strategy in action has manifested during the year.

> **We delivered on all points of our growth strategy and are laying a solid foundation.**
>
> James Ritchie, CEO

Our vision is to be the partner of choice for the supply and installation support of subsea protection equipment to the global offshore energy market. We aim to achieve this by developing a portfolio of complementary businesses serving shared markets and leveraging the enhanced skills and relationships these operations bring.

We are very pleased with the strategic progress that the Group has made since IPO last June and are confident of the long-term prospects of the Group. The solid foundations that we built prior to the Group's IPO have been strengthened further in the year under review with two strategic acquisitions, further product development and continued overseas expansion. The Board is focused on building a robust and diversified business, which generates revenues across the full lifecycle of projects and furthers the opportunities for the Group's growth.

We remain committed to the three strategic growth areas: organic growth within our core markets; accelerated growth through overseas expansion and new technologies in our product mix; and by acquisitions, which complement Tekmar Group's overall vision.

In the first half of FY19, the Group was impacted by a fundamental change in the procurement patterns of our major offshore wind customers for TekLink. Previously, the procurement lead times on offshore wind projects were typically 12-18 months. As the major industry operators drive maximum cost efficiencies, contract negotiations have become more protracted and lead times shorter. Whilst these changes have brought short term frustrations for the Group, it is a clear sign of maturation in the industry as renewable energy becomes cost competitive with fossil fuels. This procurement pattern, along with the aforementioned seasonality, is likely to prevail and we have aligned our business operations accordingly.

Despite these challenges, we have delivered growth in Group revenue of 28%. This growth has been generated from new offshore wind products, increased volume in the oil and gas market and from the acquisition of Subsea Innovation, which contributed £3.5m to revenue.

It is important to note that Tekmar Energy has maintained its unrivalled supplier position winning 100% share of the European offshore wind market in FY19 for our core product TekLink cable protection system.

I am pleased to report that we have made impressive progress on new product development, increasing the number of products we can offer to new and existing customers from 20 to 47. This is an important step for the Group; it increases our ability to grow organically and broadens the Group's addressable market, expanding our offering to customers and our ability to increase revenue per project across the lifecycle.

To support the Group's growth ambitions and improving Market Visibility, we have increased our headcount by 65% to 180 through the introduction of Tekmar Group (4) acquisition of Subsea Innovation (28) and Ryder Geotechnical (4), as well as organically to create additional engineering capacity.

I am delighted to report that we achieved an excellent record of zero lost time safety incidents, during the year, and improved our quality performance indicators, adhering to our core values of excellence and 'safety first' - a vital requirement for suppliers in our markets.

Markets

The market and product split for the full year was, as indicated in our Half Year results, 70% offshore wind (FY18: 84%) and 30% oil and gas (FY18: 16%) with 40% coming from our core TekLink CPS product (FY18: 61%). With 60% of our sales in FY19 coming from other products, this demonstrates the success of our diversification strategy in terms of product mix.

All businesses in the Group supply both the offshore wind and oil and gas markets. Our aim is to create a Group in which no customer is unique to one portfolio business.

Our core markets continue to show strong long-term growth potential. Global cumulative capacity in offshore wind is expected to rise from 25 GW to 227 GW, creating a CAGR of above 20% from 2018 to 2028. Demand for products for the oil and gas market is at a three-year high with oil prices sustained above $50 price per barrel, which is assumed to be above the trigger for new offshore capital expenditure approvals.

Operation review

Tekmar Energy ("TEL") – 84% of Group revenue

Tekmar Energy is a technology specialist focusing on the design, engineering and manufacture of subsea protection for dynamic products across multiple subsea markets including offshore wind, oil and gas and telecoms. The business is the world market leader in subsea cable protection systems for offshore wind and is renowned for its patented TekLink technology, which is used on 75% of the world's installed offshore wind farms. The business has, as previously mentioned, maintained its unrivalled position in OWF with our 8th Generation securing seven new projects for 850 systems during the year within the EU. Outside TekLink, Tekmar Energy secured three new projects for 168 systems, including, as reported in an RNS in February, a large scope for a bespoke remedial cable protection system for replacement subsea cables. Tekmar Energy also successfully delivered 132 systems into China for one of the largest Chinese wind farms. The business secured its largest order to-date for 226 hang-off systems onto the world's largest offshore wind farm Ørsted's Hornsea 1 project.

Two strategic frameworks with customers Ørsted and Royal Boskalis Westminster N.V. (formally VBMS) were secured during the year. Ørsted is the world's biggest offshore wind developer and Royal Boskalis Westminster is market leader in offshore cable installation. The award of these agreements increases our confidence in securing our future pipeline.

On the back of recent offshore wind success in China, Tekmar Energy opened a dedicated office in Shanghai and established a Wholly Foreign-Owned Enterprise, "Tekmar Marine Technology Company Limited". This office now employs four native speakers, who also support the wider Tekmar Group on sales activity for the APAC region.

The strategy for China is to export core polyurethane products from the UK, whilst project managing the build and procurement of metallic parts in-country, to provide local content value. Local content (also called in-country value) is often a stipulation for overseas contracts, ensuring long term benefit to the economic prosperity in the host region.

Following on from previous agency agreements, Tekmar Energy has continued to develop within the Middle East. As part of the business's strategic plan, local content arrangements have been established in Saudi Arabia. The first "In-Kingdom" project was delivered in November 2018, as part of the recently awarded, long term agreement that National Petroleum Construction Company (NPCC) has with Saudi Aramco.

Tekmar Energy contributed 33% to total Group revenues from non-core (excluding TekLink) products, comprising 16% subsea, 5% OPEX cable protection repair solutions, 5% other OWF and 4% hang-off product solutions, increasing its respective market share within these product groups.

Subsea Innovation – 12% of Group revenue:
Subsea Innovation is a global leader in the design, manufacture and supply of complex engineered equipment and technology used in the offshore energy market. Its products include large equipment handling systems which operate on the back of pipelay installation vessels; emergency pipeline repair clamps (EPRC) which protect major oil and gas pipelines, and bespoke equipment for use in the construction of offshore energy projects.

We completed the acquisition of Subsea Innovation in September 2018 for a maximum consideration of £4m, with circa £3m in fixed assets. The integration has gone seamlessly. Under the ownership of the Group, Subsea Innovation has turned around from a loss-making position in FY18 to contributing £3.5m in revenue and £0.5m in Adjusted EBITDA in the six months of the financial year following completion.

We have invested in people in this business, adding engineers to meet demand and build capacity to fulfil the clear growth opportunities. Since we acquired Subsea Innovation, it has secured a record order book of new work with a new Dutch customer, Royal IHC, for the design and build of pipeline installation tools and back-deck equipment. In addition, the business has generated a three-year record level of customer spend on proprietary technology, primarily with existing customers, such as Subsea 7 for pipeline repair equipment and Saipem for back-deck refurbishments.

AgileTek Engineering ("AgileTek") – 4% of Group revenue:
AgileTek is an award-winning subsea engineering consultancy for offshore energy projects, which helps its clients de-risk projects through advanced computer simulation and analysis.

AgileTek's scope for analytical engineering analysis enables the Group to differentiate itself from other technology providers and give us earlier involvement in a project's lifecycle, giving us a clear competitive advantage. In addition, its strategic value, this business grew revenues by 50% to £1m in FY19, contributing Adjusted EBITDA of £117,000, while also more than doubling its own independent customer base to 18.

In March, AgileTek completed its first acquisition of an 80% share in Ryder Geotechnical Limited for a nominal consideration of £2 with an option to buy the remaining 20% for a maximum consideration of £2m. The acquisition of Ryder increases the Group's ability to generate greater revenue per project, extends our involvement in the project lifecycle and provides a further opportunity to leverage our existing customers, with Group companies now joint bidding on multiple up-and-coming offshore wind projects.

Outlook
The Group's strategy, primary focus and vision remain unchanged. We are confident that the long-term growth prospects of the global offshore wind market are strong and that Tekmar Group is well positioned to capitalise on this opportunity.

The Group is focused on building a strategic portfolio of products and services, which will strengthen its value proposition further. We continue to focus on our three areas of sustainable growth: organic with the pending uplift in market demand; accelerated with more focus overseas and increase in our technology offering; and acquisitive supporting our vision and broadening our technology offering, to create full life cycle revenues which can leverage Group support.

James Ritchie
CEO

Chief Financial Officer's Statement

Sue Hurst

"Our first year as a plc has been a pivotal point in the incredible journey we are on."

Sue Hurst, CFO

I am pleased to report that, during our first year as a plc, we increased revenue by 28% and moved the business from loss making to profitability on a PBT basis. The IPO in June 2018 strengthened the Group's balance sheet and has enabled us to invest in growth and diversification. Whilst acquiring two strategically important businesses during the year, the Group ended FY19 with healthy cash balances.

Overview

When we provided our first interim plc statements in December 2018 it was disappointing to report a loss at Adjusted EBITDA level for the six months to 30 September, particularly as we had been extremely successful in winning work during the period. As discussed at the time, this was due to changes in the procurement patterns of customers, particularly within the offshore wind sector, which impacted the timings of projects and pushed some expected revenues into the second half of the year and some into FY20. We developed and executed a plan to ensure a strong result in H2, in line with revised market expectations.

Revenue

Revenue increased by 28%. The acquisition of Subsea Innovation accounted for half of this with the balance driven by the second half plan to mitigate the delays experienced in offshore wind projects. This delivered a different product mix, with more emphasis on lower margin non-offshore wind markets, ensuring we maintained Adjusted EBITDA at last year's level, rather than the year on year growth originally expected.

Costs

The increase in operating expenses from £5.2m to £7.0m was largely due to the expansion of the Group, following our acquisition of Subsea Innovation and additional expenses associated with listing on AIM and running a plc.

Adjusted EBITDA

We focus on Adjusted EBITDA as a primary KPI across the businesses to provide a consistent measure of trading performance. We adjust EBITDA to remove certain non-cash and exceptional items to provide a more accurate reflection of underlying earnings. The Board reviews all exceptional items to ensure resulting Adjusted EBITDA achieves this. For the period ended 31 March 2019, the adjustment includes costs relating to the IPO and acquisition activities. We also adjust for share based payment charges, relating to the IPO options and SIP schemes. The gain on bargain purchase relates to the Ryder acquisition.

Profit before tax

Depreciation charges increased due to the early adoption of IFRS 16 Leases, which moved costs from operating expenses for this year. Amortisation includes the charge relating to the acquisition of intangible assets on the purchase of Subsea Innovation.

The improvement year over year is largely due to the reduction in interest charges, arising from the repayment of the debt instruments in place under the previous private equity ownership. Funds raised from the IPO allowed us to repay all debt in June 2018 with the interest reflecting the first quarter charge only. As the Group is now debt free, the only remaining sources of interest costs are from interest recognised to increase the lease liability under IFRS16 and derivatives relating to foreign currency transactions (see below).

Profit after tax

Taxation is a major focus across the Group, as we capture the benefits available to us under the R&D tax credit and patent box regimes, along with loss relief from previous periods. These, combined with prior year adjustments, resulted in a tax credit in the year of £0.4m.

Foreign currency

Whilst we trade internationally, the majority of our contracts, both customers and supply chain, are in GBP. In the year under review, we delivered three sizeable contracts in Euros and purchased forward currency transactions to mitigate this risk. The closing rate for revaluation of Euro balances at the year end was 1.1605 (FY18: 1.1410).

Year ended 31 March 2019 (£m)		**Adjusted items**	**Adjusted**
Revenue	**28.1**	**-**	**28.1**
EBITDA	**4.2**	**0.6**	**4.8**
PBT	**2.0**	**0.6**	**2.6**
PAT	**2.4**	**0.6**	**3.0**
Adjusted EPS*			**6.0p**

Year ended 31 March 2018 (£m)		**Adjusted items**	**Adjusted**
Revenue	**21.9**	**-**	**21.9**
EBITDA	**4.8**	**0.1**	**4.9**
PBT	**(0.4)**	**0.1**	**(0.3)**
PAT	**(0.1)**	**0.1**	**0.0**
Adjusted EPS			**N/A**

* Adjusted EPS is a key metric used by the Directors since IPO and aligns to the analysts' method of calculation. This measure differs from that in Note 10 as it is based on Adjusted PAT and the shares in issue at the end of the year.

Adjusted items (£000)	**2019**	**2018**
IPO costs	**204**	-
Professional fees - acquisition	**117**	52
Gain on bargain purchase	**(95)**	-
Other fees	**-**	71
Share based payment charge	**418**	-
Total	**644**	123

Revenue by business

(£m)	FY19	FY18
Tekmar Energy	24.1	21.6
Subsea Innovation	3.5	-
AgileTek	1.0	0.7
Intercompany elimination	(0.5)	(0.4)
Total	28.1	21.9

Revenue by market

(£m)	FY19	FY18
Offshore wind	19.2	18.1
Subsea	8.4	3.5
Engineering	0.5	0.3
Total	28.1	21.9

Gross Profit by business

(£m)	FY19	FY18
Tekmar Energy	8.2	8.5
Subsea Innovation	1.1	-
AgileTek	0.6	0.4
Total	9.9	8.9

Gross Profit by market

(£m)	FY19	FY18
Offshore wind	9.0	9.6
Subsea	2.8	1.2
Engineering	0.6	0.4
Unallocated costs	(2.5)	(2.3)
Total	9.9	8.9

Adjusted EBITDA by business

(£m)	FY19	FY18
Tekmar Energy	4.6	5.1
Subsea Innovation	0.5	-
AgileTek	0.1	(0.2)
Group	(0.4)	-
Total	4.8	4.9

Our businesses

Tekmar Energy
We achieved revenue growth of 6% in offshore wind despite the delays to project timings. This was achieved with additional revenue from new products developed for this market. Revenue also increased as a result of expanding our customer base in other subsea sectors, predominantly oil and gas.

In the drive to maintain our competitive position, we continually review our product design and supply chain relationships to ensure we provide the most robust cost-effective solution to customers.

Unallocated costs in the table left (gross profit by market) mainly relate to the manufacturing costs within this business, which were in line with previous years despite the additional throughput.

Subsea Innovation
Following the acquisition in September 2018, the team at Subsea Innovation has made considerable progress. Prior to acquisition, the business was loss making. The team have turned this round by securing profitable projects on accelerated customer timelines, the majority coming from the oil and gas sector. The integration of Subsea Innovation into the Group has been seamless and it has made a strong financial contribution in the six months since joining.

AgileTek Engineering
In addition to external sales, AgileTek provides support to the other businesses in the Group with internal sales of £0.5m to Tekmar Energy in the year.

We completed the acquisition of 80% of the share capital in Ryder Geotechnical at the end of March 2019, which significantly complements the engineering skills within AgileTek. Given the timing of the deal, there is no trading impact in this year's P&L.

We completed two acquisitions during the year.

Subsea Innovation - 100% of the share capital of Subsea Innovation Limited was acquired in September 2018. Consideration was made up of £66k in cash, £1m of Group shares and £1m of contingent consideration based on the business performance to 31 March 2020. Funding of £1.8m was also provided to the business for the repayment of director and bank loans. The contingent consideration is considered highly likely to be paid so the fair value of the acquisition is deemed to be the total amount payable and has not been discounted due to the timeframe for payment being short. All consideration was recognised as either tangible or intangible assets and the deferred tax liability on the acquired intangibles is treated as goodwill.

Ryder Geotechnical - 80% of the share capital of Ryder Geotechnical Limited was acquired at the end of March 2019 for consideration of £2, with a working capital facility being provided to the business by the Group to fund growth. This gave rise to a gain on bargain purchase of £95k, which was recognised as an exceptional credit in the Income Statement. The Group holds an option to purchase the remaining 20% of the business by the end of the third full year of ownership, subject to certain financial conditions being met. This option has not been valued in the financial statements at year end as it vesting is wholly within our discretion.

Balance Sheet

(£m)	FY19	FY18
Fixed assets	5.5	1.4
Other non-current assets	21.8	20.2
Stock	1.9	1.8
Trade & other receivables	20.0	8.8
Cash	4.2	2.6
Trade & other payables	9.8	6.7
Other non-current liabilities	0.8	38.0

Fixed Assets
We acquired £3m of fixed assets as part of the Subsea Innovation deal with £2.7m relating to the property, Innovation House. We also invested £0.8m in new production equipment within Tekmar Energy, predominantly being new tooling to support the efficiency programme being rolled out in the manufacturing plant. In addition, the net impact of adopting IFRS16 was £0.7m.

Other non-current assets
This relates primarily to the goodwill arising on the original management buy-out in 2011 (£19.6m). During the year, there has been significant investment within Tekmar Energy on new product development (£0.8m) and additional intangible assets arising on the acquisition of Subsea Innovation (£1.2m).

Trade and other receivables
We closed the year with unusually high levels of accrued income reflecting the significant volume of production activity in the final quarter (£13.5m). The majority of this relates to offshore wind projects previously delayed from the first half of the year. This balance unwinds into trade receivables as the contractual milestones are achieved.

Cash
As part of the IPO, we raised additional funding for the business to invest in growth (£8.2m after costs). We invested £2m of cash in the acquisition of Subsea Innovation and a further £2m to support the businesses in their investment plans. We closed the year with a healthy cash balance across the Group, which is forecast to improve significantly as the current high levels of working capital unwind. The majority of the balance is held in GBP with £0.4m held in Euros.

Trade and other payables
Trade and other payables includes the deferred consideration (£1m) under the Subsea Innovation acquisition which we expect to pay within twelve months.

Other non-current liabilities
Other non-current liabilities relates to the lease liabilities in relation to IFRS16 and deferred grant income. Last year reflects the equity debt instruments that were repaid following the IPO.

Sue Hurst
CFO

Governance Section

Establishing and embedding the culture

Good governance is at the heart of what we do as a Board. As Chairman I am responsible for establishing and embedding the culture of the Board. By setting the tone from the top the Board aims to ensure that values and behaviours are consistent across the Group, both in the way we behave with each other and in the way we interact with our customers, suppliers, shareholders, employees and communities around us. Within the Annual Report we have set out how we have engaged with our key stakeholders - reference Pages 36-37. Our strategy as a Group is founded on meeting those high standards. Creating the right ethical culture at Tekmar is vital to the Group's success.

The Directors acknowledge the importance of high standards of corporate governance and the Company has adopted the QCA Code. The QCA Code sets out a standard of minimum best practice for small and mid-size quoted companies, particularly AIM companies. The Company has adopted the QCA Corporate Governance Code in line with the requirement for AIM quoted companies to adopt and comply with a recognised corporate governance code.

The Board comprises five Directors, two Executive Directors and three Non-Executive Directors, reflecting a blend of different experiences and backgrounds as described on Pages 54-55. We believe that the composition of the Board brings a desirable range of skills and experience in light of the Company's challenges and opportunities, while at the same time ensuring that no individual (or a small group of individuals) can dominate the Board's decision-making. The Board meets regularly to review, formulate and approve the Group's strategy, budgets, corporate actions and oversee the Group's progress towards its goals.

The Company has established an Audit Committee, a Remuneration Committee and a Nomination Committee, each with formally delegated duties and responsibilities and with written terms of reference. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

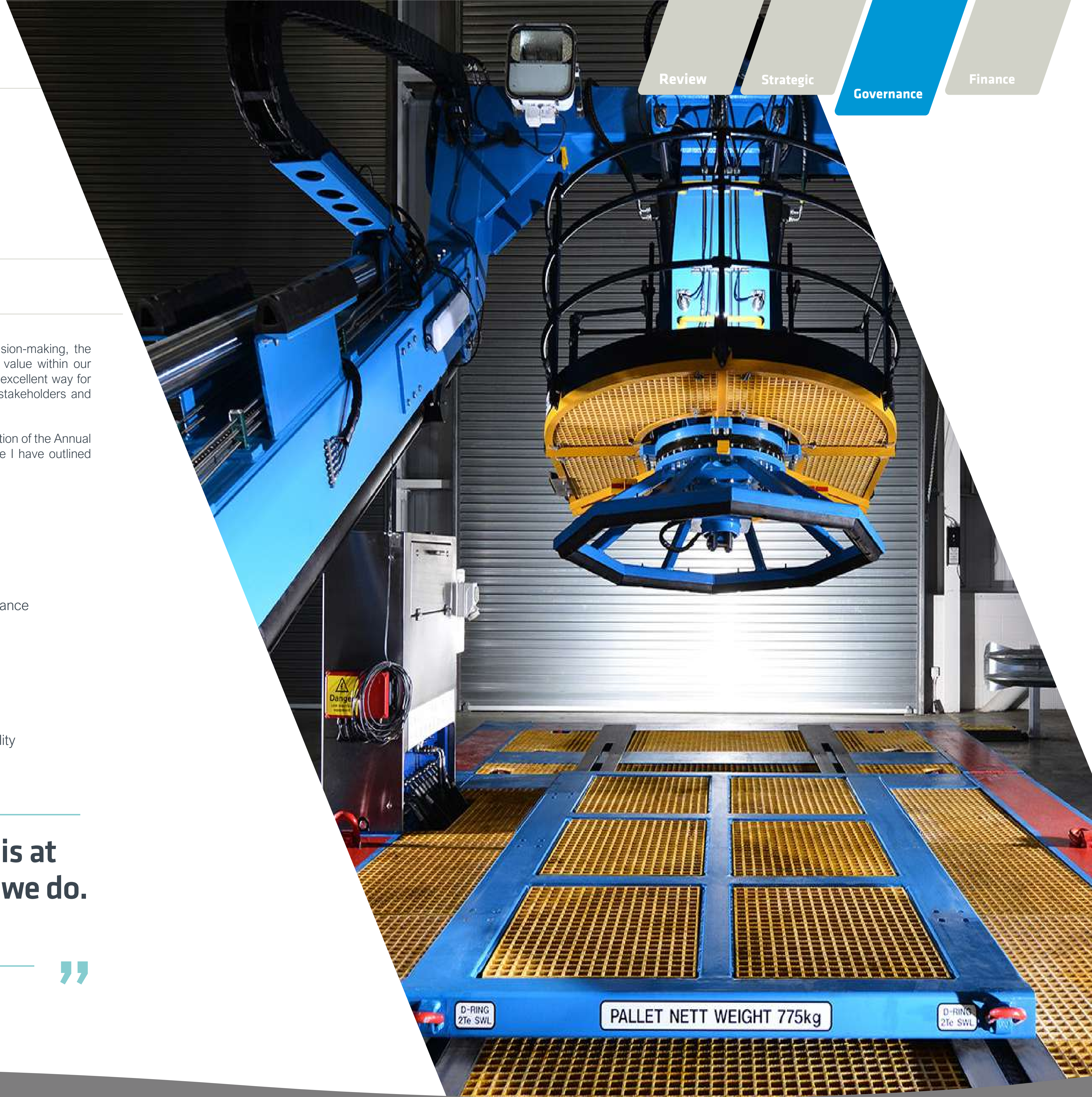
Combined with effective and efficient decision-making, the Board aim to minimise risk and maximise value within our business. We believe the QCA Code is an excellent way for us to demonstrate our commitment to all stakeholders and shareholders.

I trust that as you read this Governance section of the Annual Report that the commitment to governance I have outlined above will shine through.

Alasdair MacDonald
Non-Executive Chairman

Page Numbers

> **Good governance is at the heart of what we do.**
>
> Ally MacDonald, Chairman



Corporate Governance Statement

We understand that good corporate governance is about building strong relationships with both shareholders and stakeholders for the long-term benefit of all parties. Combined with effective and efficient decision-making, the Board aims to minimise risk and maximise value within our business. In support of this goal we have chosen to apply the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"). We believe the QCA Code is an excellent way for us to demonstrate our commitment to all stakeholders and shareholders and a description of how the 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 has a clear strategy for delivering long-term shareholder value. We will do this through:

• Increasing market share - through focusing on our differentiated value proposition.
• Bringing in new opportunities - through adding new customers.
• Increasing our offer to the market - through increasing our technology and service portfolio.
• Maximise growth - through developing a strong regional presence in high demand and high growth areas.

The strategy is supported by our core building blocks of:
• Organic Growth – increasing sales to new and existing customers.
• Accelerated Growth – investing in our business, R&D and operations.
• Acquisition Strategy – targeting businesses which align with our brand and values; that would benefit from Group support; will add to Tekmar's customer base and product offering; smooth seasonality of contract revenues; and which leverage engineering skills whilst maintaining margins.

To achieve this and to protect shareholders, we 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 policy and reporting.

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

Tekmar is committed to communicating openly with shareholders to ensure that its strategy, business model and performance are clearly understood.

Understanding what analysts and investors think about us, including their drivers on why they choose to invest, and helping our stakeholders understand our business is a key part of driving our business forward.

Maintaining consistent and positive engagement with shareholders is a high priority. Due in part to the AIM admission in June 2018, there has been considerable engagement with shareholders and we expect this to continue.

The principal methods of communication are through disclosures in the Annual Report; the interim and full-year results announcements; the Annual General Meeting and other announcements to be found on the Group's investor website. We will also carry out investor roadshows at key dates throughout the year, attend investor conferences and host investors for site visits.

If and when voting decisions at AGMs or General Meetings are not in line with the Company's expectations, the Board will engage 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

In line with our corporate social responsibility policy, the Board upholds its commitment to being a socially and ethically responsible Company.

The executive team oversee our social and ethical framework and are responsible for reviewing operational processes for managing social, environmental and ethical risk.

These processes and strength in this area are externally audited and reflected by our ISO accreditation and Tekmar's Investors in People certification. Tekmar is accredited to ISO 9001:2015 (quality management system), ISO 14001:2015 (environmental management systems) and ISO 45001:2018 (occupational health and safety management systems).

Tekmar Energy Ltd was recently confirmed as the first offshore company to receive ISO 45001:2018 accreditation, proving our leading position in the industry and commitment to health and safety management.

Our commitment to these areas is shown through their inclusion in our annual strategic planning process, including a review of any associated strengths, weaknesses, opportunities and threats, and thus integrated into the company's strategy and business model.

The Board recognises the need to maintain effective working relationships across a wide range of stakeholders, including investors, employees, partners and local communities. This is managed by our Head of Marketing and Strategy, with solid and continued feedback from our wider stakeholders as an essential part of ensuring long term success.

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. This risk management is included and reviewed within our business plan. As an offshore energy business, managing risk is core to our everyday responsibilities and has been demonstrated by over 30 years of proven policies, procedures and behaviours.

The objective of the Board is to set policies that seek to reduce ongoing risk as far as possible, without unduly affecting the Group's competitiveness and flexibility. The Board believes this helps to sustain shareholder value; including the company's supply chain, from key suppliers to end-customer; while also protecting the Group's corporate culture.

A detailed breakdown of the Company's risk factors can be found on Page 30 of the Admission Document and Pages 32-35 of the Annual Report.

Risk management, including financial and non-financial controls; what the Board does to identify, assess and manage risk and how it gets assurance that the risk management and control systems are effective, is covered by the company's business risk assessment procedures.

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

The Directors acknowledge the importance of high standards of corporate governance and believe the QCA Code provides the best fit for the Group by setting out a standard best practice for small and mid-size quoted companies, particularly those listed on AIM. The Chairman has overall responsibility for ensuring the Group's compliance to the QCA Code. The Non-Executive Directors are also responsible for the effective running of the Board's committees which comprise an important element of the governance process.

In line with QCA code 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 objectives of increasing the breadth of skills and experience of the Board and bringing constructive challenge to the Executive Directors.

The Company Directors are:
• Alasdair MacDonald, Independent Non-Executive Chairman
• Christopher Gill, Senior Independent Non-Executive Director
• Julian Brown, Independent Non-Executive Director
• James Ritchie, Chief Executive Officer
• Sue Hurst, Chief Financial Officer

The Group has determined that the composition of the Board and its committees brings a desirable range of skills, personal qualities and experience for delivering the 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.

The Group believes that the successful functioning and effectiveness of the Board is premised upon a number of key factors in addition to Board composition. These are:

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

Both the Chairman and the Board hold these factors in the highest regard and commit to performing ongoing evaluation to review and assess their application in practice.

The time commitments of the Non-Executive Directors are as follows:
• Alasdair MacDonald minimum time commitment of four/five days per month.
• Christopher Gill minimum time commitment of two / three days per month.
• Julian Brown minimum time commitment of two / three days per month.

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

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

The Nomination Committee is responsible for overseeing the selection of Board members that are equipped with the correct range of experience, knowledge, integrity and ethics. Throughout the year, the Directors have access to the advice and services of independent professional advisors at the expense of the Company.

All of the Directors are active in the energy sector and continually refine and improve their knowledge of the latest techniques and strategies.

For the acquisition activity Tekmar use a range of professional advisors to protect the Group's position as it executes its strategy.

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

The Board will formally appraise the individual members of the Board annually. The scope of which includes skills, experience and capabilities, and take account of additional responsibilities such as chairing or membership of the Board committees. The annual appraisal will be carried out by the Chairman with reference to the competencies 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.

The Chairman will also be subject to appraisal through a process managed by a Chairman Appraisal Group comprising the Chief Executive Officer and the Chief Financial Officer.

The objectives 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 process for evaluating the performance of the Board, its committees and the individual Directors, including the Chairman, in respect of these objectives.

The Board will carry out a full evaluation of its performance annually. The evaluation criteria include Board composition and skills, strategy and performance, governance and organisation, Board dynamics, and communication with shareholders and key stakeholders. The evaluation will be based upon the self-assessment of the Chairman and Directors. An external evaluation using an independent adviser may be executed if deemed necessary. The results of the evaluation process will be analysed and reported back to the Board in order to agree any action required.

The Nomination Committee may use the results of the evaluation process when reviewing the composition of the Board for selecting any 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

At Tekmar we have a clear vision, mission and values. Our values are:

Safety: Paramount to everything we do for our people, our customers and the environment in which we operate. We always aim higher than industry standards.

People: Are the foundation on which the business operates through their integrity, intelligence, empowerment and ongoing investment in their development.

Excellence: Is engrained in our culture to ensure we deliver dynamic, reliable and responsive solutions that meet the exact needs of our customers every time.

Heritage: Capitalising on years of experience and lessons learned to deliver intelligent solutions that we're proud of.

Innovation: Apply our technical excellence, experience and vision to engineer products and services that evolve with the marketplace.

Collaboration: Committed to establishing strategic partnerships to create robust and effective solutions that exceed expectations.

Customers: Driving our people to excel and exceed client expectations, reduce cost, improve quality, apply innovation and ensure excellence.

The Board promotes ethical responsibility and good conduct within the Group, fostering a culture of inclusion, responsibility and openness which is consistent with the Group's objectives. A demonstration of this is Tekmar Energy's "Tekcare" initiative. Tekcare was introduced to ensure safety remains the top priority as the Company continues to grow. Tekmar strives to actively promote a proactive attitude towards health, safety, quality and the environment (HSQE) by all stakeholders and has a safety-first approach in everything they do.

The Group is an equal opportunities employer and 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

Our business is built upon quality. Within the offshore energy industry, standards and the protection of these standards are paramount and something which the Tekmar Group Board has a wealth of experience in. Our independently audited quality management systems and ISO accreditation demonstrate our commitment in this area.

The Group operates an effective governance framework. Within this framework the Board supports the executive team in developing and executing the Group's strategy. Any decisions between and within these governance structures are reached through an open and constructive dialogue.

The Chairman leads the Board and is responsible for its governance structures, performance and effectiveness. This includes ensuring that the dynamics of the Board are functional and productive, and that no individual Director dominates discussion or decision making. The Chairman is also responsible for ensuring that the links between the Board and the executive team and the Board and the shareholders, are strong and efficient. Meanwhile, the Chief Executive Officer is responsible for the day-to-day management of the Group's operations and for implementing the strategic goals agreed by the Board.

The Board has an agenda of regular business, financial and operational matters for discussion, as well as a review of each committee's area of work. The Board is ultimately responsible for making any key strategic or business decisions. Members of the executive team may be invited to attend meetings of the Board in order to facilitate these processes. In other instances, the executive team is represented by the Chief Executive Officer, who communicates all their relevant views and information.
The effectiveness of the corporate governance structures and processes is formally assessed as part of the annual Board evaluation.

Following the recent admission to AIM, it is considered that the Board composition is appropriate for the company's current size and structure. This will also be reviewed annually. Effectiveness of the Board is premised upon a number of key factors in addition to Board composition. These are:

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

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

Tekmar is committed to communicating openly with its shareholders to ensure that its strategy, business model and performance are clearly understood. Understanding what stakeholders think about us, including their drivers on why they choose to invest is a key part of developing our business. We also focus strongly on helping our stakeholders understand our business. We aim to achieve this through a constant dialogue with the investor community via our broker.

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 Group activities and performance, and users can register to receive alerts regarding new announcements, reports and events, including Annual General Meetings. We will also proactively support investor roadshows at key dates throughout the year, attend investor conferences and host site visits to Tekmar Group premises; including ad-hoc meetings by exception.

The Board

Alasdair MacDonald
Independent Non-executive Chairman

Ally has over 30 years' experience in the oil and gas industry. He has held senior executive positions at Wellstream International Limited and Wellstream Holdings plc, a FTSE 250 designer, manufacturer and supplier of flexible pipeline product to customers in the offshore oil industry. He was then CEO of Seanamic Group, an engineering and equipment manufacturer in the energy, defence, oceanographic science and seismic industries. He spent 19 years with Technip UK, acting as Managing Director of Technip Umbilicals Limited between 2005 and 2008, a leader in its global markets. Ally is currently Group CEO of Benbecula Group, a privately funded engineering based buy and build business. An engineer by trade, he graduated with an honours degree in mechanical engineering.

James Ritchie
Chief Executive Officer

James has 10 years' experience as an executive manager and is one of the first and founding employees of Tekmar Energy. In 2009, James became Operations Director and led the business through substantial growth. He then subsequently led the management buy-out of Tekmar Energy in September 2011 with Elysian and Opera Finance and, consequently, became Chief Executive Officer. He is also a committee member of Subsea North East and Chairman of Energi Coast. Energi Coast is the representative group for the North East of England's offshore renewables sector.

Sue Hurst
Chief Financial Officer

With over 30 years in senior finance and commercial roles Sue has extensive experience in both private equity backed businesses and large listed companies, such as Serco, ICI, Electrolux and Brambles. Working across sectors including renewables, oil & gas, transportation, information technology and outsourcing, as a Chartered Management Accountant, she prides herself in people management and has led extensive change programmes, along with overseas business developments. With a robust approach to corporate governance, she has worked on numerous business expansions, new product launches and acquisitions. Sue joined Tekmar in 2012 shortly after the management buy-out as Finance Director.

Christopher Gill
Independent Non-executive Director

Chris, a Chartered Accountant, has extensive private and plc experience in the engineering, fast moving consumer goods, manufacturing and energy sectors. He was Finance Director at Domnick Hunter Group plc, an international filtration business, for 7 years before moving to become Finance Director at Wellstream Holdings plc, the FTSE250 designers, manufacturers and supplier of flexible pipeline product to the offshore oil industry. Subsequently, Chris was director and CFO of SMD Limited, a designer, engineer and assembler of remotely controlled subsea equipment to the oil and gas, offshore renewables, telecommunications and mining industries. Chris' experience also includes being CFO of Seanamic Group, a private equity backed buy and build sub-sea engineering business, and Senior Independent Director and Audit Committee Chairman of AIM quoted Stadium Group plc.

Julian Brown
Independent Non-executive Director

Julian is a prominent figure within the UK Renewables market, with a wealth of experience in the sector. He is currently Vice President and UK Country Manager for MHI Vestas Offshore, the leading wind turbine manufacturer. He is former Chair of RenewableUK, the UK's leading renewable energy trade association. Other former roles include co founder and Chair of 8.2Aarufield, UK Director of AREVA Wind, a founding partner of the globally respected renewables consultancy BVG Associates Limited, and Managing Director of Vestas Blades UK (formerly NEG Micon Rotors Limited), which was the largest renewables manufacturing supply chain employer in the UK during his employment.

Committee Membership

- Remuneration committee
- Nomination committee
- Audit committee

Management Team

Russell Edmondson
Managing Director, Tekmar Energy

With over 20 years management experience, Russell began his career in the construction industry prior to moving into the offshore wind and oil & gas sectors. Having worked with all the key industry stakeholders, Russell joined Tekmar Energy in 2012 and is responsible for the company P&L. Russell has a passion for both business and innovation and strives to develop teams who share his commitment in operating within the vanguard.

Terry Sheldrake
Non-executive Technical Director, Tekmar Energy

Terry has over 25 years' experience in both academia and within the oil and gas industry. This includes 14 years of executive management experience as the Head of Technology at Wellstream International and subsequently GE Wellstream. Terry has also been an active member on a number of International standards committees, has a PhD in Mechanical Engineering and is a Fellow of the Institution of Mechanical Engineers.

Jack Simpson
Director, Tekmar Energy

Joining in 2011, Jack was part of the early Tekmar Energy team who grew the company from its early roots to where it stands today as a global market leader. Jack has over 11 years experience in business and is responsible for sales and business development globally. Leading the expansion of the business into Asia, Jack is also the Chairman of Tekmar's Shanghai based subsidiary.

Steve Rossiter,
Managing Director, AgileTek Engineering

Steven is the founder of AgileTek and is responsible for managing the day to day business of the division. He leads the coordination of the services delivered by AgileTek to the rest of the Group and is responsible for external direct sales. He is also a certified solutions architect for Amazon Web Services and leads the development of AgileTek's cloud platforms.

Dave Thompson
Managing Director, Subsea Innovation

A Chartered Engineer with over 32 years experience. Dave is 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 sectors. Dave joined Subsea Innovation initially as Technical Director in 2014 moving into the role as Managing Director in 2016.

Fraser Gibson,
Managing Director, Ryder Geotechnical

Fraser is a Chartered Engineer with the Institution of Civil Engineers and has been working as a geotechnical engineering consultant in the offshore sector for over 15 years. Fraser spent time at UTEC Geomarine, progressing from Senior Engineer to Principal Engineer and then to Regional Manager for APAC where Fraser spent 2 years in Singapore establishing an office for UTEC Geomarine in the region, before later setting up Ryder Geotechnical in 2016.

Audit Committee Report

Chris Gill, Chair of the Audit Committee

Dear shareholder,

I am pleased to present the Audit Committee Report for the year ended 31 March 2019 and trust that you will find the content insightful.

Key Responsibilities
The Audit Committee has primary responsibility for:
• reviewing the effectiveness of the Group's internal controls,
• monitoring the integrity of the Group's financial statements,
• reviewing the external announcements of the Group's results, and
• approving the appointment and remuneration of the Group's external auditors, reviewing their reports and ensuring their independence is maintained,

in all cases having due regard to the interests of shareholders. The Audit Committee reports to the Board on these matters and meets at least three times a year. Since the IPO and up to the date of this report the Committee has met four times. The Audit Committee has terms of reference in place which have been formally approved by the Board and are made available at the AGM and on the Group's website.

Experience
The Audit Committee comprises two Non-Executive Directors and was chaired during the year under review by Chris Gill who is a chartered accountant with relevant financial experience in this role. Alasdair MacDonald is the other independent non-executive director who served during the year and is deemed to have to necessary ability and experience to understand financial statements.

External audit
The Audit Committee also approves the appointment and remuneration of the Group's external auditors and satisfies itself that they maintain their independence regardless of any non-audit work performed by them. The auditor is permitted to provide non-audit services which are not, and are not perceived to be, in conflict with auditor independence, providing it has the skill, competence and integrity to carry out the work and is considered to be the most appropriate to undertake such work in the best interests of the Group. All assignments are monitored by the Committee.

The respective responsibilities of the Directors and external auditors in connection with the Group financial statements are explained in the Statement of Directors' Responsibilities on page 68 and the Auditors' Report on pages 72-75. Details of services provided by and fees payable to the auditors are shown in note 8 of the Group financial statements.

Whilst the Audit Committee has not adopted a formal policy in respect of the rotation of the external auditor, one of its principal duties is to make recommendations to the Board in relation to the appointment of the external auditor. Various factors are taken into account by the Committee in this respect, including the quality of the reports provided to the Committee and the level of understanding of the Group's business.

Internal control and risk management
The Audit Committee supports the Board in reviewing the risk management methodology and the effectiveness of internal control.

The Group does not currently have an internal audit function, and this is considered appropriate for the current size and complexity of the business. As the Group grows the need for an internal audit function, to complement and challenge the risk management procedures already in place, will be monitored on a regular basis.

Activities of the Audit Committee during the year
During the year the key areas the Committee has focussed on have been:
• Determining the scope of the auditors' half year review and discussed the report once received;
• Reviewing the auditors' audit strategy and plan for the year end audit;
• Reviewing the tax arrangements of the Group; and
• Discussing progress of a review of the corporate structure performed by management.

Significant issues considered in relation to the financial statements
The key issues relating to the financial statements considered, discussed with the auditors and concluded upon were:
• Revenue – the impact of transitioning to IFRS 15 was discussed; also, the specific financial reporting risks in respect of the judgements required for revenue recognised over time, in particular estimates of cost to complete on specific contracts;
• IPO accounting – the Committee reviewed the complex accounting around the IPO and determined the approach taken by management was appropriate;
• Subsea Innovation acquisition accounting – the acquisition accounting was deemed reasonable for the half year, with a full purchase price allocation completed for year end;
• Share based payments charge – the assumptions in relation to the options and free shares issued during the year were discussed and the treatment agreed as reasonable.

Chris Gill
Chair of the Audit Committee

Remuneration Committee Report

Chris Gill, Chair of the Remuneration Committee

Dear shareholder,

I am pleased to present the Directors' Remuneration Report for the year ended 31 March 2019. The Remuneration Committee is chaired by myself as an independent Non-Executive Director, and includes Alasdair MacDonald. The aim of this report is to provide shareholders with information to understand our remuneration strategy and its linkage to the Group's financial performance.

Responsibilities
The remuneration committee reviews the performance of the executive directors and determines their terms and conditions of service, including their short and long-term rewards, having due regard to the interests of shareholders. It also satisfies itself that good practices apply to all Group employees through the relevant management structures. In particular, pay awards and other benefits for the executive management of any Group company are tabled to the Remuneration Committee in advance of the award. The Remuneration Committee meets at least twice a year.

Our performance in FY19
The successful IPO was a major achievement during the year and despite a disappointing result in the first half, largely attributable to changes in customer procurement activities that delayed certain revenues, the second half matched our expectation and those of the market. The final result being a small shortfall in EPS of 4% vs that expected on float and a share price of 130p as of 21 June vs 130p on float.

Share Awards
During the period and as described on IPO, share incentives were envisaged and awarded under two schemes, the IPO Share Incentive Plan and the Group Share Incentive Plan, the former to certain key executives and the latter being free shares awarded to all employees, excluding directors, with qualifying service on the date of the IPO. No other bonus or share related payments were made to senior executives other than those attributable to the period prior to the IPO described below.

Awards under the IPO Scheme were made to key executives on IPO focussing on growth in both EPS and TSR over the two years to 31 March 2020. The performance targets, being equally weighted across these two measures, also include an initial EPS performance target for the first year to 31 March 2019 to meet market expectations as at the IPO. The financial results for this year show that the first year EPS (on adjusted earnings as defined in the scheme rules) is 5.97p which is marginally behind the IPO market expectation of 6.25p.

The Board and Remuneration Committee are acutely aware of the need to keep our key executives incentivised to meet the business challenges, meet or beat the IPO targets and to maximise shareholder returns. The Board believes that the IPO options is key to this and, given small shortfall in EPS, and, after discussions with a number of larger shareholders, has exercised a discretion within the IPO Scheme to amend the performance targets within it. Specifically the scheme has been amended to waive the year one EPS performance condition, increasing the year two EPS performance condition so as to require an increase of 5% in cumulative EPS to be delivered over the two years to 31 March 2020 whilst leaving all other terms and conditions, including the two year TSR target and vesting period, unchanged.

Group Remuneration Policy

The key components of the remuneration policy are set out below.

	Why	How
Basic annual salary	To attract and retain the right talent reflecting level of responsibilities of the role, along with experience and skills required	Inflationary pay rises implemented annually to track national indicators
Pension	To provide a contributory pension scheme in line with statutory requirements, to provide employees with support after retirement	The group increased its contribution to 5% in advance of the statutory requirement to do so
Other benefits	Additional benefits to support the health and wellbeing of our employees	Life assurance, healthcare scheme, cycle to work and tech purchase schemes
Annual bonus	To reward high-performing individuals	Annual bonus with performance criteria based upon a mixture of profit-based and personal objectives, supporting the Group's growth strategy
Share schemes	Share ownership is an important part of employee incentivisation and retention	Four share schemes developed on IPO; implemented IPO options and Share Incentive Plan; intending to launch LTIP and SAYE plans in the coming year

Recruitment remuneration arrangements
When hiring a new Executive Director, the Committee will set the Executive Director's ongoing remuneration in a manner consistent with the policy described above. To facilitate the hiring of candidates of the appropriate calibre required, the Committee may make an award to "buy-out" variable remuneration arrangements forfeited on leaving a previous employer. In doing so, the Committee will take account of relevant factors including the form of award, any performance conditions and the time over which the award would have vested. Recruitment awards will normally be liable to forfeiture or "clawback" on early departure which for Executive Directors is defined as being within the first two years of employment. Appropriate costs and support will be covered if the recruitment requires relocation of the individual.

Statement of consideration of employment conditions elsewhere in the Company
When reviewing and setting Executive Director remuneration, the Committee takes into account the pay and employment conditions of all employees of the Group. The Group-wide pay review budget is one of the key factors when reviewing the salaries of the Executive Directors. Although the Group has not carried out a formal employee consultation regarding Board remuneration, it does comply with local regulations and practices regarding employee consultation more broadly.

Name of Director	Fees / basic salary (£000)	Benefits (£000)	Bonus (£000)	Pension (£000)	2019 Total (£000)	2018 Total (£000)
J Ritchie	201	124	1,000	7	1,332	179
S Hurst	141	161	-	5	307	130
A MacDonald	65	-	-	-	65	47
C Gill (1)	35	-	-	-	35	-
J Brown (1)	27	-	-	1	28	-

1 Part year only – appointed 20 June 2018

Benefits – one-off payment relating to the sale of shares allocated to key management during the IPO from the Employee Benefit Trust. There were no other benefits.
Bonus – compensation to J Ritchie for the IPO transaction which was reimbursed to the Group by the exiting private equity shareholders. No other bonuses were paid in the period.

Executive Director remuneration
The Committee reviewed Executive Director remuneration prior to the floatation to ensure this was in line with market benchmarks. Having worked for the business for a number of years prior to floatation, both Executive Directors entered into new service agreements on 14 June 2018 which became effective upon Admission.

There is a notice period of six months and other than payment of salary and benefits in lieu of notice, the Directors' service agreements do not provide for benefits upon termination of employment. It is the Committee's intention that any future service contracts will be subject to similar notice periods.

Non-Executive Director remuneration
Non-Executive Directors have appointment letters setting out their terms of appointment. All Non-Executive Directors are appointed for an initial three year term, with a three months' notice period by either party. The Board considers that the Non-Executive Directors meet the independence tests.

IPO options plan
Awards granted under the IPO Plan were awarded to the employees below on 20 June 2018 giving options to acquire shares for a consideration per share, equal to its nominal value. No further awards will be granted under the IPO Plan.

The table below summarises the IPO option awards for the two Group Executive Directors and Senior Management:

Name of Director	Maximum No of shares vesting	EPS condition - maximum vesting	No of shares vesting at EPS threshold (50%)	TSR condition - maximum vesting	No of shares vesting at TSR threshold (50%)	Performance year ending
J Ritchie	900,000	450,000	225,000	450,000	225,000	31 March 2020
S Hurst	350,000	175,000	87,500	175,000	87,500	31 March 2020
R Edmondson	125,000	62,500	31,250	62,500	31,250	31 March 2020
S Rossiter	125,000	62,500	31,250	62,500	31,250	31 March 2020
J Simpson	125,000	62,500	31,250	62,500	31,250	31 March 2020

Participants will be entitled to acquire all the shares subject to their individual IPO awards if the following performance conditions are met:

• Earnings per share (EPS) – 25% of the total shares will vest where the cumulative EPS for the two years ended 31 March 2020 exceeds its initial target by 120%. 50% of the total shares will vest where this growth is 130%; as discussed earlier, both thresholds were increased when the Board waived the year one EPS performance hurdle.
• Total shareholder return (TSR) - 25% of the total shares will vest where the TSR for the year ended 31 March 2020 is not less than 15%. 50% of the total shares will vest where this is 25%.

Upon leaving employment, the Board has sole discretion as to whether any unvested option will vest, taking into account the extent to which any performance condition has been satisfied at the date of cessation of employment, and the length of time that elapsed from the date of grant to the date of cessation of employment.

Looking forward
The current share option schemes have provided the desired incentives to management and staff in driving the right behaviour across the Group. During the next twelve months we will endeavour to launch the LTIP scheme to key executives (excluding those already participating in the IPO scheme) and the SAYE scheme to all qualifying staff. The Committee will continue to review the reward policy to ensure it aligns to the Group's growth strategy and make recommendations to the Board.
I do trust that this clearly explains our approach to remuneration and enables you to appreciate how it underpins our business growth strategy. I will be available at the Annual General Meeting to discuss any questions you may have.

Chris Gill
Chair of the Remuneration Committee

Nomination Committee Report

The Nomination Committee will lead the process for board appointments and make recommendations to the Board. The Nomination Committee shall evaluate the balance of skills, experience, independence and knowledge on the Board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. The Nomination Committee will meet as and when necessary and comprises Alasdair MacDonald (as Chairman), Chris Gill, and James Ritchie.

Given the newly constituted Board following IPO in June 2018 it has not been necessary to hold a Nomination Committee during this period. Going forward the committee will meet at least twice a year in line with the terms of reference, a copy of which is available on the Group's website.

Directors Report

for the year ended 31 March 2019

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 31 March 2019.

Business review and future developments
A review of the performance of the Group during the year, including principal risks and uncertainties, key performance indicators and comments on future developments, is given in the Strategic Report.

Dividends
The Directors do not intend that the Company will declare a dividend in the near term, as available cash resources will be channelled into funding the growth strategy of the Group. No dividends have been paid in the period.

Directors and their interests
The Directors of the Company during the year and their interests in the ordinary share capital at the end of the year are shown in the table to the right.

Ordinary shares of 1p each	31 March 2019
A MacDonald	434,526
J Ritchie	1,013,375
S Hurst	276,569
C Gill	19,230
J Brown	19,230

All shares above have been in place from admission with no further shares acquired or disposed of in the period to the end of the financial year. Further information on the Directors' interests can be found in the Remuneration Committee Report.

Major shareholders
As at 24 June 2019 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
Miton Group	5,300,000	10.46%
BlackRock Investment Management (UK) Limited	5,068,270	10.00%
Berenberg Bank	4,950,000	9.77%
Fidelity Worldwide Investment (FIL)	4,000,000	7.89%
Hargreave Hale	3,400,000	6.71%
Legal & General Investment Management	3,000,000	5.92%
Henderson Global Investors Limited	2,800,000	5.52%
River and Mercantile Asset Management LLP	2,775,000	5.47%
Schroders plc	2,680,318	5.29%
Impax Asset Management Ltd	2,516,574	4.96%
J O Hambro Capital Management Limited	2,500,000	4.93%
Threadneedle Asset Management	2,000,000	3.95%

Donations
During the year the Group made no charitable or political donations.

Employees
The Group systematically provides employees with information on matters of concern to them, consulting them regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Group plays a major role in its performance. The Group has a Business Integrity Policy that governs the expected business behaviours of employees and this policy incorporates guidance on employee's responsibilities should they become aware of inappropriate business behaviours or any similar concern.

The Group recognises its responsibility to employ disabled persons in suitable employment and gives full and fair consideration to such persons, including any employee who becomes disabled, having regard to their particular aptitudes and abilities. Where practicable, disabled employees are treated equally with all other employees in respect of their eligibility for training, career development and promotion.

Going Concern
The Directors confirm that, having made appropriate enquiries, they have a reasonable expectation the Group and the Company have adequate resources to continue operations for the foreseeable future. Accordingly, the Directors continue to adopt the going concern basis in the preparation of the financial statements.

Takeover Directive requirements
The Company has one class of equity share, namely £0.01 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).

Notice of Annual General Meeting
The Annual General Meeting will be held at 10am on 21 August 2019 at Tekmar, Park 2000, Millennium Way, Newton Aycliffe DL5 6AR. The Notice of Meeting which sets out the resolutions to be proposed at the forthcoming AGM accompanies these Group financial statements.

Events after the reporting date
There have been no significant events in the period from 31 March 2019 and the publication of these financial statements.

Independent auditor
The auditor, KPMG LLP, has indicated its willingness to continue in office and a resolution concerning their reappointment will be proposed at the AGM. So far as each of the Directors is aware at the time this report is approved:
• there is no relevant audit information of which the Company's auditor is unaware; and
• 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.
This Directors' Report was approved by order of the Board.

S Hurst
Chief Financial Officer & Company Secretary

Tekmar Group plc
Unit 1,
Park 2000 Millennium Way
Aycliffe Business Park
Newton Aycliffe
County Durham
DL5 6AR

Registered number: 11383143
24 June 2019

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

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 International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) 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 as adopted by the EU;
• 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
• use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

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.

S Hurst
Company Secretary

Financial Statements

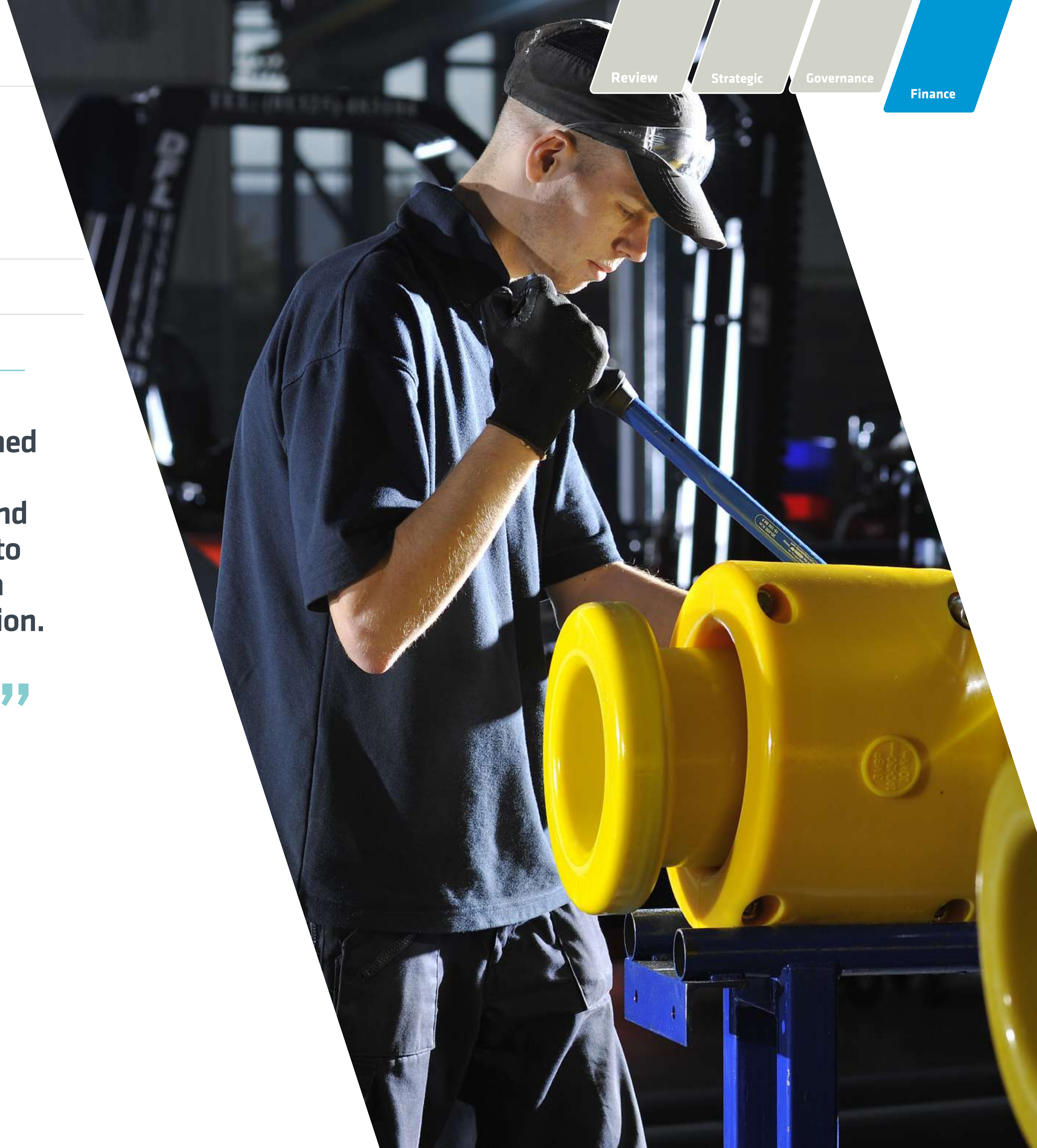
We developed and executed a plan to ensure a strong result in H2

I am pleased to report that, during our first year as a plc, we increased revenue by 28% and moved the business from loss making to profitability on a PBT basis. The IPO in June 2018 strengthened the Group's balance sheet and has enabled us to invest in growth and diversification. Whilst acquiring two strategically important businesses during the year, the Group ended FY19 with healthy cash balances.

Sue Hurst, CFO

Page Numbers

> **The IPO in June 2018 strengthened the Group's balance sheet and has enabled us to invest in growth and diversification.**
>
> Sue Hurst, CFO



Independent Auditors Report on the members of Tekmar Group plc

1. Our opinion is unmodified
We have audited the financial statements of Tekmar Group plc ("the Company") for the year ended 31 March 2019 which comprise the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, parent company balance sheet, parent company statement of changes in equity and the related notes, including the accounting policies in note 2.

In our opinion:

the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2019 and of the Group's profit for the year then ended;

the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);

the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

KPMG

Overview

Materiality: group financial statements as a whole	**270,000 (2018: £510,000)** **0.96% (2018: 2.3%) of Revenue**	
Coverage	**100% (2018: 100%) of Group revenue and profit before tax**	
Key audit matters	**vs 2018**	
Recurring risks	Revenue recognition on contracts ongoing at year end	◀▶
	Recoverability of parent company's investments in subsidiaries	◀▶
New event driven risks	The impact of uncertainties due to the UK exiting the European Union	▲
	Going concern	▲

2. Key audit matters: including our assessment of risks of material misstatement
Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters in arriving at our audit opinion above. 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.

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union Refer to page 32 (principal risks), page 58 (Audit Committee Report), page 84 (accounting policy) and page 83 (financial disclosures).	Unprecedented levels of uncertainty All audits assess and challenge the reasonableness of estimates, in particular as described in the recoverability of parent company's investment in subsidiaries below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements (see below). All of these depend on assessments of the future economic environment and the group's future prospects and performance. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: **Our Brexit knowledge** We considered the directors' assessment of Brexit-related sources of risk for the group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. **Sensitivity analysis** When addressing the recoverability of the parent company's investment in subsidiaries and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. **Assessing transparency** As well as assessing individual disclosures as part of our procedures on the recoverability of the parent company's investment in subsidiaries, we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Revenue recognition on contracts ongoing at year end (£28.1 million) (2018: £21.9 million)

Refer to page 58 (Audit Committee Report), page 84 (accounting policy) and page 83 (financial disclosures).

The risk

Subjective estimate:
The Group enters in to contracts for the manufacture and assembly of cable protection systems. A typical contract may have multiple performance obligations and the transaction price will be allocated to these performance obligations. The Group has to make an assessment of the progress of each contract in order to determine how much revenue to recognise.
Each contract is reviewed to identify and assess distinct performance obligations, and the transaction price allocated to each.
For contracts ongoing at year end, inaccurate identification of the performance obligations and/ or incorrectly concluding whether performance obligations have been satisfied could lead to material variances in the amounts recognised in revenue.
Inaccurate allocation of contract price to separate performance obligations and/ or assessment of whether revenue from ongoing contracts at year end should be recognised 'over time' rather than 'point in time', under the relevant accounting standards, could lead to material variances in the amounts recognised in revenue.
The effect of these matters is that, as part of our risk assessment, we determined that revenue recognised of £28.8 million has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 3) disclose the sensitivity estimated by the Group.

Our response

Our procedures included:
Accounting analysis: we assessed whether the Group's determination of performance obligations as well as principles of revenue allocation to those performance obligations is appropriate by inspecting selected ongoing contracts at the year end.
Test of detail: we assessed whether the separate performance obligations had been satisfied and transaction price had been properly allocated by inspecting the contracts, customer correspondence, other documentation and interviewing the client project personnel.
Assessing transparency: we assessed the adequacy of the disclosures about the judgements involved in the identification of performance obligations and respective transaction price allocation.

Going concern

Refer to page 58 (Audit Committee Report), page 84(accounting policy) and page 83 (financial disclosures).

The risk

Disclosure quality:
The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the group and parent company.
That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations over a period of at least a year from the date of approval of the financial statements.
The risks most likely to adversely affect the Group's and Company's available financial resources over this period were in relation to the timing and delivery of larger contracts which can cause material fluctuations in actual cash flows compared to those forecast.
There are also less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of demand and available financial resources.
The risk for our audit was whether or not those risks were such that they amounted to a material uncertainty that may have cast significant doubt about the ability to continue as a going concern. Had they been such, then that fact would have been required to have been disclosed.

Our response

Our procedures included:
Historical comparisons:
• We assessed the reasonableness of the cash flow projections by considering the historical accuracy of the previous forecasts.
Sensitivity analysis:
• We considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively.
Benchmarking assumptions:
• We tested the integrity of the cash flow projections and challenged the appropriateness of the key assumptions used therein by reference to our knowledge of the business. We also assessed the projections and assumptions by reference to general market conditions and post year end trading and cash flows.
Assessing transparency:
• We assessed the completeness and accuracy of the matters covered in the going concern disclosure with reference to our audit findings from the above procedures and our understanding of the Group's business and strategies.

Recoverability of parent company's investment in subsidiaries (£42.5 million; 2018: £nil)

Refer to page 58 (Audit Committee Report), page 84 (accounting policy) and page 83 (financial disclosures).

The risk

Low risk, high value
The carrying amount of the parent company's investments in subsidiaries represents 64% of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.

Our response

Our procedures included:
Tests of detail: Comparing the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheets (audited as part of the Group audit) to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making.
Comparing valuations: For the investments where the carrying amount exceeded the net asset value, comparing the carrying amount of the investment with the expected value of the business based on a suitable multiple of the subsidiaries' profit.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £270,000, determined with reference to a benchmark of revenue of £28,082,000, of which it represents 0.96% (2018: 2.3%). We consider total revenue to be the most appropriate benchmark as it provides a more stable measure year on year than Group profit before tax. Our materiality level has decreased because the group is now listed.

Materiality for the parent company financial statements as a whole was set at £256,500 (2018: £385,000), determined with reference to a benchmark of company total expenses, of which it represents 0.4% (2018: 2%). We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £13,500, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 6 (2018: 5) reporting components, we subjected 6 (2018: 5) to full scope audits for group purposes. The components within the scope of our work accounted for the percentages illustrated opposite.

The Group team carried out all of the work on all the reporting components (including the parent company audit). We used component materialities, which range from £12k to £256k, having regard to the mix of size and risk profile of the Group across the components.

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, we are required to report to you if:

we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in this respect.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

we have not identified material misstatements in the strategic report and the directors' report;

in our opinion the information given in those reports for the financial year is consistent with the financial statements;

and in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 68, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and 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 they 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

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

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.

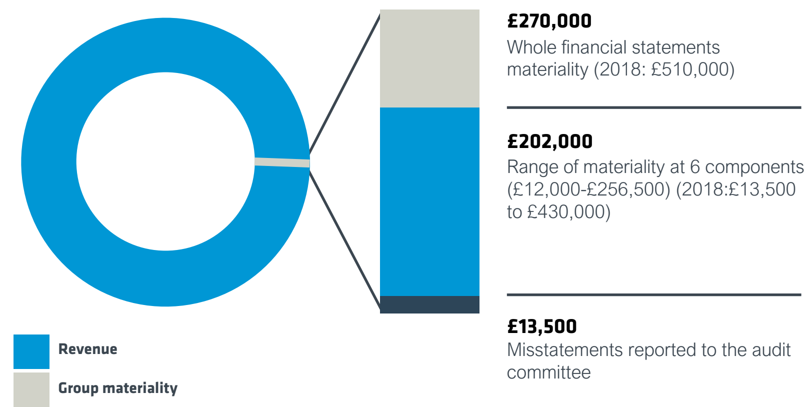
David Mitchell (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House, 110 Quayside,
Newcastle upon Tyne.
NE1 3DX
24 June 2019

Revenue

£28.1m (2018 £21.9m)

Group Materiality

£270,000 (2018: £510,000)



Group revenue

Group profit before tax

Group total assets

Full scope for group audit purposes 2019

Full scope for group audit purposes 2018

Consolidated statement of comprehensive income

For the year ended 31 March 2019

	Note	2019 (£000)	2018 (£000)
Revenue	4	28,082	21,891
Cost of sales	6	(18,190)	(12,962)
Gross profit		9,892	8,929
Operating expenses	6	(6,987)	(5,177)
Other operating income		-	56
Group operating profit		2,905	3,808
Analysed as:			
Adjusted EBITDA [1]		4,833	4,947
Depreciation	12	(808)	(563)
Amortisation	11	(476)	(453)
Share based payments charge	24	(418)	-
Exceptional items	6	(226)	(123)
Group operating profit		2,905	3,808
Finance costs		(1,066)	(4,192)
Finance income		147	4
Net Finance costs	7	(919)	(4,188)
Profit / (Loss) before taxation		1,986	(380)
Taxation	9	407	270
Profit / (Loss) for the year and total comprehensive expense		2,393	(110)
Attributable to owners of the parent		2,393	(59)
Attributable to the non-controlling interest		-	(51)
		2,393	(110)
Profit / (Loss) per share (pence)			
Basic	10	4.75	(0.22)
Diluted	10	4.63	(0.22)

There are no items of Other Comprehensive Income

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

Consolidated balance sheet

as at 31 March 2019

	Note	2019 (£000)	2018 (£000)
Non-current assets			
Property, plant and equipment	12	5,501	1,401
Goodwill and other intangibles	11	21,837	20,005
Deferred tax asset	20	-	177
Total non-current assets		27,338	21,583
Current assets			
Inventory	14	1,914	1,842
Trade and other receivables	15	19,537	8,493
Corporation tax recoverable		459	263
Cash and cash equivalents	16	4,190	2,617
Total current assets		26,100	13,215
Total assets		53,438	34,798
Equity and liabilities			
Share capital	22	507	-
Share premium		64,100	-
Merger relief reserve		993	-
Merger reserve		(12,685)	2,886
Retained losses		(10,098)	(12,704)
Total equity / (deficit)		42,817	(9,818)
Non-current liabilities			
Borrowings	18	487	32,521
Trade and other payables	17	358	5,430
Deferred tax liability	20	3	-
Total non-current liabilities		848	37,951
Current liabilities			
Other interest-bearing loans and borrowings	18	378	-
Trade and other payables	17	9,395	6,665
Total current liabilities		9,773	6,665
Total liabilities		10,621	44,616
Total equity and liabilities		53,438	34,798

The Group financial statements were approved by the Board and authorised for issue on 24 June 2019 and were signed on its behalf by:

S Hurst
Chief Financial Officer & Company Secretary
Company registered number: 11383413

Consolidated statement of changes in equity as at 31 March 2019

	Share capital (£000)	Share premium (£000)	Merger relief reserve (£000)	Merger reserve (£000)	Retained earnings (£000)	Total equity attributable to the owners of the parent (£000)	Non controlling interest (£000)	Total equity (£000)
Balance at 1 April 2017	-	-	-	2,886	(12,645)	(9,759)	(51)	**(9,708)**
Loss for the year	-	-	-	-	(59)	(59)	(51)	**(110)**
Total comprehensive expense for the year	-	-	-	-	(59)	(59)	(51)	**(110)**
Balance at 31 March 2018	-	-	-	2,886	(12,704)	(9,818)	-	**(9,818)**
Adjustment on adoption of IFRS 16	-	-	-	-	(163)	(163)	-	**(163)**
Adjusted balance at 1 April 2018	-	-	-	2,886	(12,867)	(9,981)	-	**(9,981)**
Profit for the year	-	-	-	-	2,393	2,393	-	**2,393**
Total comprehensive income for the year	-	-	-	-	2,393	2,393	-	**2,393**
Issue of shares on IPO	500	64,500	-	(15,571)	-	49,429	-	**49,429**
Expenses of the IPO	-	(400)	-	-	-	(400)	-	**(400)**
Issue of shares post IPO	7	-	993	-	-	1,000	-	**1,000**
Share based payments	-	-	-	-	376	376	-	**376**
Total transactions with owners, recognised directly in equity	507	64,100	993	(15,571)	376	50,405	-	**50,405**
Balance at 31 March 2019	507	64,100	993	(12,685)	(10,098)	42,817	-	**42,817**

Consolidated cash flow statement as at 31 March 2019

	2019 (£000)	2018 (£000)
Cash flows from operating activities		
Profit / (Loss) before taxation	**1,986**	(380)
Adjustments for:		
Depreciation	**808**	563
Amortisation of intangible assets	**476**	453
Share based payments charge	**345**	-
Other operating income	**-**	(54)
Gain on bargain purchase	**(95)**	-
Finance costs	**1,066**	4,192
Finance income	**(147)**	(4)
	4,439	4,770
Changes in working capital:		
Decrease/(increase) in inventories	**176**	(605)
(Increase) in trade and other receivables	**(10,493)**	(40)
Increase in trade and other payables	**2,876**	2,318
(Decrease) in provisions	**(131)**	(300)
Cash (used in)/generated from operations	**(3,133)**	6,143
Tax recovered/(paid)	**180**	(250)
Net cash (outflow)/inflow from operating activities	**(2,953)**	5,893
Cash flows from investing activities		
Purchase of property, plant and equipment	**(996)**	(248)
Purchase of intangible assets	**(865)**	(124)
Proceeds on sale of property, plant and equipment	**3**	1
Acquisition of subsidiary net of cash acquired	**(168)**	-
Interest received	**147**	4
Net cash outflow from investing activities	**(1,879)**	(367)
Cash flows from financing activities		
Repayment of borrowings	**(33,282)**	(2,250)
Repayment of other borrowings	**(1,771)**	-
Proceeds from issues of shares	**49,429**	-
Expenses of the IPO	**(400)**	-
Interest paid	**(7,571)**	(2,194)
Net cash inflow/(outflow) from financing activities	**6,405**	(4,444)
Net increase in cash and cash equivalents	**1,573**	1,082
Cash and cash equivalents at beginning of year	**2,617**	1,535
Cash and cash equivalents at end of year	**4,190**	2,617

Notes to the Group financial statements
for the year ended 31 March 2019

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 Unit 1, Park 2000, Millennium Way, Aycliffe Business Park, Newton Aycliffe, County Durham, DL5 6AR. 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.

Initial public offering ("IPO")
The Company's shares were admitted to trading on the AIM Market, a market operated by the London Stock Exchange, on 20 June 2018. These Group financial statements are the Company's first subsequent to its admission to AIM and followed a group reorganisation to facilitate the IPO. The consolidated financial statements were approved and authorised for issue by a duly appointed and authorised committee of the Board of Directors on 24 June 2019.

These Group financial statements have been prepared under merger accounting principles because the transaction under which the Company became the holding company of Tekmar Limited, the previous parent undertaking of the Tekmar trading operations, was a group reorganisation as the Company did not actively trade at that time.

The result of the application of the capital reorganisation is to present the financial statements as if the Company had always owned the Tekmar trading operations.

Group reorganisation
The principal steps of the Group reorganisation were as follows:
The Company was incorporated on 25 May 2018 as a private company limited by shares in England and Wales, with the allotment of 1 share of £0.01.

The Company issued 5,000,000 redeemable shares of £0.01 each in the capital of the Company which were redeemed shortly after Admission.
Under an Escrow agreement dated 14 June 2018, the selling shareholders agreed to sell their shares in Tekmar Limited to the Company immediately on Admission and the selling shareholder of AgileTek Engineering Limited agreed to sell his shares to Tekmar Holdings Limited immediately on Admission.

The acquisition by the Company of the shares in Tekmar Limited and AgileTek Engineering Limited constitutes a group reorganisation and the transaction is accounted for as a capital reorganisation. Under merger accounting principles, the assets and liabilities of the subsidiaries are consolidated at book value in the financial statements and the consolidated reserves of the Group are adjusted to reflect the statutory share capital, share premium and the reserves of the Company as if it had always existed.

The Company issued 50,000,000 shares of £0.01 each on Admission to AIM 20 June 2018. The consideration in excess of the nominal value of £500,000 has been recorded as share premium. An amount was also recorded in merger reserve in respect of the element of the IPO proceeds to acquire the existing group. IPO costs of £400,000 have been charged to the share premium account.

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.

(a) Basis of preparation
The results for the year ended 31 March 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and their interpretations adopted by the European Union. It should be read in conjunction with the Historical Financial Information for the three years ended 31 March 2018 within the Company's Admission Document and which was prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ('IFRS'), International Financial Reporting Standards Interpretation Committee ('IFRS IC') interpretations and those provisions of the Companies Act 2006 applicable to companies reporting under 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.

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

The financial information presented in respect of the year ended 31 March 2019 has been prepared on a basis consistent with that presented in the Company's Admission Document.

(b) Going concern
The Group meets its day-to-day working capital requirements through its available banking facilities. The Directors have prepared cash flow forecasts and projections for the years ending 31 March 2021. There is currently no external debt and the Group has no covenants which it needs to comply with. Taking account of reasonably foreseeable changes in trading performance, these forecasts and projections show that the Group is expected to have a sufficient level of financial resources available through current and future facilities. Furthermore, the Directors have assessed the future funding requirements of the Group and compared them with the level of available borrowing facilities. Based on this work, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

(c) New standards, amendments and interpretations
The Group has adopted the following new standards and interpretations:
• IFRS 16 – Leases (effective 1 January 2019 and early adopted).
IFRS 16 "Leases" replaced IAS 17 "Leases" and sets out the principles for the recognition, measurement, presentation and disclosure of leases and has been applied from 1 January 2018 using the modified retrospective approach. Under IFRS 16 the main difference for the Group is that all leases that the Group holds as a lessee are recognised on the balance sheet, as both a right-of-use asset and a largely offsetting lease liability. The right-of-use asset is depreciated in accordance with IAS 16 'Property, Plant and Equipment' and the liability is increased for the accumulation of interest and reduced by lease payments. There is no impact on cashflow. On the income statement the Group recognises a depreciation charge and an interest charge instead of a straight-line operating cost. This changes the timing of cost recognition on the lease, resulting in extra cost in early years of the lease, and reduced cost towards the end of the lease.

The Group elected to exclude all short-term leases and all leases for which the underlying asset is of low value. 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 arises from the supply of subsea protection systems, principally through fixed fee contracts. To determine whether 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.

i) Fixed-fee contracted supply of subsea protection systems

For the majority of revenue transactions, the Group enters into individual contracts for the supply of subsea protection systems, generally for a specific project in a particular geographic location. Depending upon the nature of the contract and process for manufacture and assembly either the output method or input method is used to determine the amount of revenue to recognise. For example, if a cable protection system ("CPS") is manufactured as a complete unit, the output method is used. This is calculated by reference to the number of units assembled at each month end compared to the total number of units to be assembled. Alternatively, if the CPS is manufactured in sections, and the contract supports the unconditional right to payment for the work completed should the customer terminate, the input method is used. This is calculated by reference to costs incurred to date as a proportion of total expected project costs.

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

ii) Manufacture and distribution of ancillary products and equipment

The Group has a number of revenue transactions which are generally contracted with customers using purchase and sales orders. There is generally one performance obligation for each order and the transaction price is specified in the order. Revenue is recognised at a point in time as the customer gains control of the products, which tends to be on delivery. There is no variable consideration.

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 finance costs, tax, depreciation and amortisation. Exceptional items and share based payment charges 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 elements of financial performance in the year, so as to facilitate comparison with prior years and assess trends in financial performance more readily. Such costs include private-equity management fees in prior years, together with deal related income and costs (principally professional fees).

(h) Foreign currency
Transactions in foreign currencies are translated into the Group's functional 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. 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

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation.
Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership of an asset are classified as finance leases. Property, plant and equipment acquired under finance leases is recorded at fair value or, if lower, the present value of minimum lease payments at inception of the lease, less depreciation and any impairment.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in the other long-term payables. The interest element of the finance cost is charged to the income statement over the lease year so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The property, plant and equipment under finance leases is depreciated over the shorter of the useful life of the asset and lease term.

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% straight line
Production tooling, 3 years straight line
Motor vehicles, 4 years reducing balance
Computer equipment, 4 years straight line

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

(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
For goodwill that has an indefinite useful life, the recoverable amount is estimated 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.

(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
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 a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(p) Leases
The Group has applied IFRS 16 for this set of financial statements. 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 of machinery that have a lease term of 12 months or less 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 year 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.

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.

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 fair value and thereafter are measured at amortised cost using the effective interest rate. A loss allowance for expected credit losses is recognised based upon the lifetime expected credit losses in cases where the credit risk on trade and other receivables has increased significantly since initial recognition. In cases where the credit risk has not increased significantly, the Group measures the loss allowance at an amount equal to the 12-month expected credit loss. This assessment is performed on a collective basis considering forward-looking information.

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.
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.

(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 in one area, being the design, manufacture and supply of subsea cable, umbilical and flexible protection systems, and provision of subsea engineering services to the Offshore Wind and Oil and Gas sectors. 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.

(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) Consolidation reserve
The consolidation reserve was 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 consolidation reserve.

(z) Own shares held by ESOP trust
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.

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

(ab) Government grants
Government grants 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.

(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 and the disclosure of contingent 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
The recognition of revenue on contracts requires judgement and estimates on the overall contract margin. This judgement is based on contract value, historical experience and forecasts of future outcomes. 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 methods.

Further details on how the policy is applied can be found in note 2(e). For the large, offshore wind projects in the Tekmar Energy business which were not complete at year end, and require the most judgment, if the percentage completion was 1% different to management's estimate the revenue impact would be £116,000. However, the likelihood of this is small, as the percentage completion is based upon items that are physically counted at year end.

Share based payments
The weighted average fair value of equity options granted is determined using various fair value models, including Black-Scholes-Merton and Monte Carlo models. The Group makes assumptions in identifying the appropriate inputs significant as disclosed within note 24. The assumptions are subject to estimation and are considered for reasonableness at each balance sheet date. If the fair value assumption on the options was changed by 5% this would lead to a £17,000 difference in the share-based payment charge.

IPO accounting
For the reasons set out in note 1 the Group applied merger accounting principles to the IPO accounting. This treatment was mandatory and therefore no reasonable sensitivity can be applied to the numbers involved.

(b) Critical accounting estimates
Subsea Innovation acquisition accounting
Accounting for the purchase price allocation on the Subsea Innovation acquisition was a critical accounting estimate made during the year. In particular, deriving the value of the intangible assets acquired (£1,184,000) and goodwill attributed (£234,000) were critical estimates. If these intangibles had not been identified as such, and instead the balance recognised as goodwill, profit for the year would have been higher by £109,000.

4. Segmental Reporting

The trading operations of the Group are only in the global offshore energy industry and are all continuing. This includes the activities of Tekmar Energy Limited, Subsea Innovation Limited, and AgileTek Engineering Limited. In addition, the centralised group services and assets provided to Group companies are considered incidental to the activities of the Group and have therefore not been shown as a separate operating segment but have been subsumed within the global offshore energy industry. All assets of the Group reside in the UK.

Major customers
In the year ended 31 March 2019 there were three major customers that individually accounted for at least 10% of total revenues (2018: five customers). The revenues relating to these in the year to 31 March 2019 were £11,217,000 (2018: £17,047,000). Included within this is revenue from multiple projects with different entities within each customer.

	2019 (£000)	2018 (£000)
Analysis of revenue		
UK & Ireland	10,483	5,379
Rest of the World	17,599	16,512
	28,082	21,891

5. Employees and Directors

(a) Staff numbers and costs

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

	2019 (No)	2018 (No)
Directors	5	7
Sales	9	6
Administration	22	14
Technical	40	30
Direct labour	60	56
	136	113

Staff costs for the Group during the year were:	2019 (£000)	2018 (£000)
Wages and salaries	4,399	3,460
Social security costs	520	320
Defined contribution pension cost (note 5 (d))	155	75
Share based payments	418	-
	5,492	3,855

(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:

	2019 (£000)	2018 (£000)
Short term benefits:		
Salaries including bonuses	1,754	353
Social security costs	235	49
Total short-term benefits	1,989	402
Post-employment benefits:		
Defined contribution pension plan	12	3
Total remuneration	2,002	405

	Fees / basic salary (£000)	Benefits (£000)	Bonus (£000)	Pension (£000)	2019 Total (£000)	2018 Total (£000)
Name of Director						
J Ritchie	201	124	1,000	7	1,332	179
S Hurst	141	161	-	5	307	130
A MacDonald	65	-	-	-	65	47
C Gill (1)	35	-	-	-	35	-
J Brown (1)	27	-	-	1	28	-

Highest paid director
The aggregate remuneration of the highest paid director was £1,332,000 (2018: £183,000), which includes pension contributions of £7,000 (2018:£nil). In addition to basic salary, this remuneration includes a bonus and one-off payment relating to the sale of shares, both specific to the IPO transaction. The bonus of £1,000,000 was reimbursed to the Group by the exiting private equity shareholders with the Group paying the associated social security costs of £154,136. [The payment of £124,000 relating to the sale of shares allocated from the Employee Benefit Trust plus social security costs of £17,000.]

The number of directors accruing pension benefits under a defined contribution plan was three (2018: three).

6. Expenses by nature

	2019 (£000)	2018 (£000)
Research and development	**298**	485
Employee benefit expense	**5,492**	3,855
Amortisation (note 11)	**476**	453
Depreciation – leased (note 12)	**292**	27
Depreciation – owned (note 12)	**516**	536
Inventory recognised as an expense	**15,112**	9,440
Exceptional items	**226**	123
Other expenses	**2,765**	3,220
Total cost of sales and operating expenses	**25,177**	18,139

Exceptional items

Exceptional items in 2019 include:
- Deal related costs, principally professional fees; and
- Credit in respect of negative goodwill arising on the acquisition of Ryder Geotechnical Limited – see note 25.

Exceptional items in 2018 included:
- Monitoring fees charged by private equity owners that will not recur following admission to trading on AIM and are considered non-recurring in nature; and
- Deal related costs, principally professional fees.

7. Net finance costs

	2019 (£000)	2018 (£000)
Interest payable and similar charges		
On loan notes	**144**	624
On other loans	**664**	2,392
On preference shares classed as liabilities	**258**	1,123
Fair value movement on forward foreign exchange contracts	**-**	53
Total interest payable and similar charges	**1,066**	4,192
Interest receivable and similar income		
Fair value movement on forward foreign exchange contracts	**(142)**	-
Interest receivable	**(5)**	(4)
Total interest receivable and similar income	**(147)**	(4)
Net finance costs	**919**	4,188

8. Auditors Remuneration

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

	2019 (£000)	2018 (£000)
Fees payable to Company's auditor for the audit of the parent company financial statements	**28**	4
Fees payable to Company's auditor for other services:		
– The audit of Company's subsidiaries	**26**	21
– Tax compliance	**21**	31
– Other non-audit services	**10**	-
	85	56

9. Taxation

Analysis of credit in year	2019 (£000)	2018 (£000)
Current tax		
Current taxation charge for the year	-	250
Adjustments in respect of prior periods	(384)	(383)
Total current tax	(384)	(133)
Deferred tax		
Origination and reversal of timing differences	(23)	(23)
Adjustments in respect of prior periods	-	(114)
Total deferred tax	(23)	(137)
Tax on loss on ordinary activities	(407)	(270)
Profit / (loss) on ordinary activities before tax	1,986	(380)
Profit / (loss) on ordinary activities multiplied by the rate of corporation tax in the UK of 19% (2018: 19%)	377	(72)
Effects of:		
Non-deductible expenses	178	660
Non-taxable income	(55)	(238)
Enhanced R&D tax relief	(373)	(129)
Impact of unrecognised deferred tax assets	(145)	3
Effect of change in rates	(5)	3
Adjustments in respect of previous periods	(384)	(497)
Total taxation credit	(407)	(270)

The current year's Adjustments in respect of previous periods relates to tax accruals held at the end of the prior year which did not crystallise as liabilities upon submission of the final tax computations for the previous financial year (£250,000) coupled with a prior year R&D claim received during the year (£134,000).

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These included reductions to the main rate to reduce the rate to 17% from 1 April 2020, and this has been reflected in these financial statements.
Our expectation is that the Group will continue to benefit from incentives, such as Patent box, and this will lead to an effective tax rate that is lower than the main rate of corporation tax for future years.

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 conditional share awards granted during the year.

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

Earnings	2019 (£000)	2018 (£000)
Earnings for the purposes of basic and diluted earnings per share being loss for the year attributable to equity shareholders	2,393	(110)
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share	50,351,745	50,000,000
Weighted average dilutive effect of conditional share awards	1,336,986	-
Weighted average number of shares for the purposes of diluted earnings per share	51,688,732	50,000,000
Profit / (Loss) per ordinary share (pence)		
Basic profit / (loss) per ordinary share	4.75	(0.22)
Diluted profit / (loss) per ordinary share	4.63	(0.22)

The denominators used to calculate basic earnings per share are the same as those shown above for both basic and diluted earnings per share.

Adjusted EPS is calculated as follows:

	2019 (£000)
Earnings	
Earnings for the purposes of basic and diluted earnings per share being adjusted profit for the year attributable to equity shareholders	3,037
Number of shares	
Number of shares in issue at year end	50,687,852
Profit per ordinary share (pence)	
Basic profit per ordinary share	6.0

11. Goodwill and other intangibles

	Goodwill (£000)	Software (£000)	Product development (£000)	Trade name (£000)	Customer relationships (£000)	Total (£000)
COST						
As at 1 April 2017	23,471	151	1,105	-	-	**24,727**
Additions	-	-	124	-	-	**124**
As at 31 March 2018	23,471	151	1,229	-	-	**24,851**
On acquisition	234	25	-	738	446	**1,443**
Additions	-	93	772	-	-	**865**
Disposals	-	(88)	-	-	-	**(88)**
As at 31 March 2019	23,705	181	2,001	738	446	**27,071**
AMORTISATION AND IMPAIRMENT						
As at 1 April 2017	4,109	80	204	-	-	**4,393**
Charge for the year	-	50	403	-	-	**453**
As at 31 March 2018	4,109	130	607	-	-	**4,846**
Charge for the year	-	36	331	36	73	**476**
Eliminated on disposals	-	(88)	-	-	-	**(88)**
As at 31 March 2019	4,109	78	938	36	73	**5,234**
NET BOOK VALUE						
As at 31 March 2017	19,362	71	901	-	-	**20,334**
As at 31 March 2018	19,362	21	622	-	-	**20,005**
As at 31 March 2019	19,596	103	1,063	702	373	**21,837**

The remaining amortisation periods for software and product development are 6 months to 36 months (2018: 5 months to 26 months).

The goodwill, brand and customer relationships additions in the year relates to the acquisition of Subsea Innovation Ltd as set out in note 25.

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

Goodwill is attributed to the only CGU within the Group, services to the subsea Offshore Wind and Oil and Gas sectors. Goodwill has been tested for impairment by assessing the value in use of the cash generating unit. The value in use calculations were based on projected cash flows in perpetuity. Budgeted cash flows for 2019 to 2021 were used. These were based on a three-year forecast with growth rates of 13.2% and 14.9% applied for the following years. Subsequent years were based on a reduced rate of growth of 2.0% into perpetuity.

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.

The discount rate used to test the cash generating units was the Group's pre-tax WACC of 10.0%.

The value in use calculations described above, together with sensitivity analysis using reasonable assumptions, indicate ample 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 (£000)	Leasehold improvements (£000)	Containers & racking (£000)	Plant and equipment (£000)	Production tooling (£000)	Motor Vehicles (£000)	Computer Equipment (£000)	Right of use asset (£000)	Total equity (£000)
COST									
As at 1 April 2017	-	873	1,135	1,873	905	11	328	-	**5,125**
Additions	-	5	-	26	177	-	40	-	**248**
Disposals	-	-	-	-	-	-	(1)	-	**(1)**
As at 31 March 2018	-	878	1,135	1,899	1,082	11	367	-	**5,372**
Arising on acquisition	2,760	-	-	234	-	-	-	-	**2,994**
Right of use asset adjustment	-	-	-	-	-	-	-	2,360	**2,360**
Additions	-	41	13	176	600	-	60	106	**996**
Disposals	-	-	(30)	(3)	-	-	-	(97)	**(130)**
As at 31 March 2019	2,760	919	1,118	2,306	1,682	11	427	2,369	**11,592**
DEPRECIATION									
As at 1 April 2017	-	623	1,079	753	718	11	224	-	**3,408**
Charge for the year	-	195	34	160	118	-	56	-	**563**
As at 31 March 2018	-	818	1,113	913	836	11	280	-	**3,971**
Right of use asset adjustment	-	-	-	-	-	-	-	1,439	**1,439**
Charge for the year	20	50	16	194	188	-	48	292	**808**
Eliminated on disposal	-	-	(30)	-	-	-	-	(97)	**(127)**
As at 31 March 2019	20	868	1,099	1,107	1,024	11	328	1,634	**6,091**
NET BOOK VALUE									
As at 31 March 2017	-	250	56	1,120	187	-	104	-	**1,717**
As at 31 March 2018	-	60	22	986	246	-	87	-	**1,401**
As at 31 March 2019	2,740	51	19	1,199	658	-	99	735	**5,501**

Depreciation charges are allocated to cost of sales and operating expenses in the income statement.
The Group has elected to early adopt IFRS 16 using the modified retrospective approach. At the start of the year this led to the recognition of right of use assets with a net book value of £0.7m and a lease liability of £0.8m. As a result of the change the Group recognised £30,000 of interest and £292,000 of depreciation, offset by a saving in operating costs of £357,000 of rental charges. As a result of timing differences between recognition of the operating expense and depreciation and interest related to the capitalised lease an adjustment of £163,000 was required to equity. This can be seen in the Statement of changes in equity. The right of use assets all relate to building leases. Cash flows during the year in relation to these leases totalled £357,000.

13. Investments

Principal 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	Proportion held by 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%
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%

All the companies listed above are incorporated in England and Wales, and have a registered address of Unit 1, Park 2000, Millennium Way, Aycliffe Business Park, Newton Aycliffe, County Durham, DL5 6AR, with the following exception:

Company; Country of Incorporation; Address
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 oil and gas industry
Tekmar Energy Limited	Design and manufacture of cable protection system for use in subsea environment
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	Dormant at year-end

14. Inventories

	2019 (£000)	2018 (£000)
Raw materials	1,761	1,527
Finished goods	153	315
	1,914	1,842

There is no difference between the carrying value and net realisable value of the above inventory items.

15. Trade and other receivables

	2019 (£000)	2018 (£000)
Amounts falling due within one year:		
Trade receivables not past due	3,279	984
Trade receivables past due	1,462	2,358
Trade receivables net	4,741	3,342
Contract assets	13,515	4,432
Other debtors	693	404
Prepayments and accrued income	441	315
Derivative financial assets	147	-
	19,537	8,493

Trade and other receivables are all current and any fair value difference is not material. They are considered past due once they have passed their contracted due date and are assessed for impairment based upon the expected credit losses model.
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.

16. Cash and Cash Equivalents

	2019 (£000)	2018 (£000)
Cash and cash equivalents		
Cash at bank and in hand	4,190	2,617

Cash and cash equivalents were held in the following currencies:

UK Pound	3,778	1,986
Euro	411	631
Other	1	-
	4,190	2,617

17. Trade and other payables

	2019 (£000)	2018 (£000)
Current		
Trade payables	6,187	2,929
Tax and social security	212	400
Accruals and contract liabilities	2,996	3,230
Derivative financial liabilities	-	106
	9,395	6,665

The fair value of financial liabilities approximates to their carrying value due to short maturities. All trade and other payables were held in GBP. The derivative financial liability related to forward foreign currency contracts. Accruals and contract liabilities includes £1m in relation to deferred consideration on the Subsea Innovation acquisition (see note 25).

	2019 (£000)	2018 (£000)
Non-current		
Accruals and contract liabilities	358	5,430
	358	5,430

18. Borrowing

	2019 (£000)	2018 (£000)
Current		
Lease Liability	378	-
	378	-
Non-current		
Shares classified as debt	-	10
Share premium classified as debt	-	9,590
Loan notes	-	6,802
Other loans	-	16,119
Lease Liability	487	-
	487	32,521
Amount repayable		
Within one year	378	-
In more than two years but less than three years	367	16,119
In more than three years but less than four years	120	6,802
In more than four years but less than five years	-	-
In more than five years	-	9,600
	865	32,521

The above carrying values of the borrowings equate to the fair values. Borrowings were secured against all the assets of the Group during 2018.

	2019 (%)	2018 (%)
Average interest rates at the balance sheet date		
Redeemable preference shares	-	7.75
Loan notes	-	8.50
Other loans	-	15.00
Lease Liability	3.25	-

Loan notes
Loan notes were repaid following the listing in June 2018.
Interest accrued on a daily basis at a fixed rate of 8.5% per annum. On 30 September each year, accrued interest was either paid in cash or compounded on the loan principal, provided that further loan notes in respect of the accrued interest were allocated and that approval for that transaction had been given by the majority shareholder.

Other loans
Other loans were repaid following the listing in June 2018.
Interest accrued on a daily basis at a fixed rate of 15% per annum.
20% of interest accruing daily after 27 March 2014 was payable in cash quarterly in arrears on the last business day of June, September, December and March. Residual interest is added to the principal amount of the loan annually.

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.
The asset and liability have been calculated using a 3.25% discount rate.
These leases are due to expire between January and December 2021.

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

	Loans and Borrowings (£'000)	Shares classified as debt (£000)	Finance lease liabilities (£000)
Balance at 1 April 2018	**29,963**	**9,600**	**-**
Changes from financing cash flows			
Repayment of borrowings	**(25,234)**	**-**	**-**
Payment of finance lease liabilities	**-**	**-**	**(219)**
Redemption of preference shares	**-**	**(9,600)**	**-**
Total changes from financing cash flows	**(25,234)**	**(9,600)**	**(219)**
Changes arising from obtaining control of subsidiaries	**1,776**	**-**	**-**
Other changes			
New finance leases	**-**	**-**	**1,084**
Interest expense	**808**	**258**	**-**
Interest paid	**(7,313)**	**(258)**	**-**
Total other changes	**(4,729)**	**-**	**1,084**
Balance at 31 March 2019	**-**	**-**	**865**

19. Provisions

	2019 (£000)	2018 (£000)
Non-current provisions		
At the start of the period	-	300
Provisions released	-	(150)
Provisions used	-	(150)
	-	-

The provisions relate to warranties given to customers in the ordinary course of business. The provision has been estimated based on management's best estimate of the costs that will be incurred based on legislative and contractual requirements.

As at 31 March 2019 and 2018 no specific warranty claims have been noted or are expected and therefore the provisions are £nil.

20. Deferred Tax

	2019 (£000)	2018 (£000)
Asset at start of year	177	40
Credit to income statement	23	137
Credit on share based payments	31	-
Arising on acquisition	(234)	-
(Liability) / Asset at end of year	(3)	177
The deferred tax (liability) / asset relates to the following:		
Accelerated capital allowances on property, plant & equipment	141	176
On intangible assets	(183)	-
On share based payments	90	-
Other timing differences	(51)	1
	(3)	177

In addition to the deferred tax (liability) / asset above, the Group has additional unrecognised gross tax losses of £2,929,000 (2018: £696,000), hence an unrecognised deferred tax asset of £498,000 (2018: £118,000). 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.

21. Financial instruments and Financial risk management

Financial risk management

The Group uses various financial instruments. These have historically included preference shares, loan notes and other loans (in the period to IPO), 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 is 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 and manages this foreign currency risk using forward foreign exchange contracts which match the expected receipt of foreign currency income. As at 31 March 2019 this covers the period up to September 2019. (As at 31 March 2018 the period to May 2018).

The table below shows the EBITDA impact (excluding any changes in the fair value of derivatives) if there had been a 5% difference in the year end £:€ exchange rate:

	2019 (£000)
+5%	(224)
-5%	247

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 revolving working capital facilities. The maturity of borrowings is set out in note 18 to the financial statements.

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.

At 31 March 2019	Less than 1 year (£000)	Between 1 and 2 years (£000)	Between 2 and 5 years (£000)	Over 5 years (£000)
Borrowings	399	380	125	-
Forward foreign exchange contracts	-	-	-	-
Trade and other payables	6,187	-	-	-

At 31 March 2018	Less than 1 year (£000)	Between 1 and 2 years (£000)	Between 2 and 5 years (£000)	Over 5 years (£000)
Borrowings	-	-	29,789	12,207
Forward foreign exchange contracts	106	-	-	-
Trade and other payables	2,929	-	5,430	-

Interest rate risk
The Group finances its operations through a mixture of retained profits, bank borrowings and historically, loan notes. 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.

Sensitivity to interest rate fluctuations
All borrowings carry fixed interest rates, and hence there is no sensitivity to interest rate fluctuations. Interest on cash balances held is received at a floating rate but is immaterial.

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 31 March 2019 or 2018 and no provision for credit losses was made. See note 15 for further information on financial assets that are past due.

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:

	2019 (£000)	2018 (£000)
Financial assets		
Financial assets measured at amortised cost		
Trade and other receivables	18,949	8,178
Cash and cash equivalents	4,190	2,617
Financial assets measured at fair value through profit or loss		
Forward foreign exchange contracts	147	-
	23,286	10,795
Financial liabilities		
Financial liabilities measured at fair value through profit or loss		
Forward foreign exchange contracts	-	(106)
Financial liabilities measured at amortised cost		
Non-current:		
Borrowings	(487)	(32,521)
Current:		
Borrowings	(378)	-
Trade and other payables	(6,187)	(2,929)
	(7,052)	(35,450)
Net financial assets and liabilities	16,234	(24,761)
Non-financial assets and liabilities		
Plant, property and equipment	5,501	1,401
Goodwill	19,596	19,362
Other intangible assets	2,241	643
Inventory	1,914	1,842
Prepayments and accrued income	441	315
Deferred tax	(3)	177
Accruals and contract liabilities - current	(2,996)	(3,230)
Accruals and contract liabilities - non-current	(358)	(5,430)
Tax and social security	(212)	(400)
Corporation tax	459	263
	26,583	14,943
Total equity / (deficit)	42,817	(9,818)

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)	Redeemable shares £0.01 (Number)	Ordinary Share Total (£)
On incorporation on 25 May 2018	**1**	**-**	**-**
Issued during the year	**-**	**5,000,000**	**50,000**
Redeemed during the year	**-**	**(5,000,000)**	**(50,000)**
Issued on Admission	**50,000,000**	**-**	**500,000**
Issued post Admission	**687,852**	**-**	**6,878**
At 31 March 2019	**50,687,852**	**-**	**506,878**

The movements in share capital to the date of the IPO are set out in the "Group reorganisation" paragraph of Note 1. General Information.

The Company issued 42,691 shares of £0.01 each on 13 September 2018 for consideration of £427 to satisfy awards granted under the SIP (see note 24), and a further 645,161 shares of £0.01 were issued on 14 September 2019 at a value of £1,000,000 in respect of the acquisition of Subsea Innovation Limited.

23. Related party transactions

The directors consider there to be no ultimate controlling party following Admission in June 2018. During the current and prior year, related parties included representatives of major shareholder, Elysian Capital LLP and parent and intermediate parent entities ultimately owned by the same shareholders. Related party balances with the Company are as follows:

Interest arising from transactions with previous shareholders totalled £1,066,000 (2018: £4,139,000).

Under an agreement dated 20 September 2018, the Company acquired the entire share capital of Subsea Innovation Limited from its founder Gary Ritchie-Bland, the father of James Ritchie-Bland. Further details are set out in note 25.

Tekmar Energy Limited rents a property from a business owned by Gary Ritchie-Bland. Costs relating to this rental during the year were £90,000 (2018: £120,000).
Key management compensation is given in note 5 (b).

24. Share based payments

During the year the Group operated three equity-settled share-based payment plans as described below. Expenses of £418,000 were recognised in respect of equity settled share-based payment transactions in the period from IPO to 31 March 2019.

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 will become exercisable on 20 June 2021 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).

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 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.

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

Plan	1 April 2018	Granted in the period	30 March 2019 share options outstanding	Vesting period	Exercise period
IPO Plan	-	1,750,000	1,625,000	3 years	10 years
SIP	-	42,691	42,691	3 years	10 years

The Group has recognised a total expense of £418,000 in respect of equity-settled share-based payment transactions in the year ended 31 March 2019 (31 march 2018: £nil), which has been included in staff costs. No options were exercised during the period.

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:

	Grant Date	Share price on date of grant	Expiry Date	Expectation of meeting performance criteria
IPO Plan	20 June 2018	130.00	20 June 2028	75%
SIP	13 September 2018	161.50	13 September 2028	80%

The other factors in the Black-Scholes-Merton model do not affect the calculation and have not been disclosed, as the options were issued for nil consideration with an exercise price of either £nil of £0.01.

25. Business Combinations

On 20 September 2018, the Company acquired the entire share capital of Subsea Innovation Limited for an initial cash payment of £65,923, shares in the Group of £1,000,000 and contingent consideration of £1,000,000. Subsea Innovation Limited is an innovation leader in the design, manufacture and supply of complex engineered equipment and technology used in the installation of subsea equipment for the offshore oil and gas market. Its products include large equipment handling systems, which operate on the back of installation vessels; including cable, pipeline and SURF (subsea umbilical riser and flowline); pipeline repair clamps, which protect major oil and gas pipelines, and equipment for the construction of offshore oil and gas projects.

Consideration as at 20 September 2018	(£000)
Cash	66
Shares	1,000
Contingent consideration to be settled	1,000
Total consideration	2,066

For cash flow disclosure purposes, the amounts are disclosed as follows:

Cash consideration	66
Overdraft acquired	115
	181

Recognised amounts of identifiable assets acquired and liabilities assumed.

	Values recognised at acquisition		
	Book value (£'000)	Adjustments (£'000)	Fair value (£'000)
Assets			
Property, plant and equipment	3,323	(329)	2,994
Other intangibles - software	25	-	25
Other intangibles - customer relationship	-	446	446
Other intangibles - brand	-	738	738
Trade and other receivables	314	(11)	303
Inventories	248	-	248
	3,910	844	4,754
Liabilities			
Borrowings - overdraft	(115)	-	(115)
Trade and other payables	(182)	(489)	(671)
Directors Loan Account	(2,623)	1,200	(1,423)
Borrowings	(348)	-	(348)
Deferred tax liabilities	-	(234)	(234)
Provisions	(131)	-	(131)
	(3,399)	477	(2,922)
Total identifiable assets	511	1,321	1,832
Goodwill			234
Total			2,066

Subsea Innovation Limited contributed £3,572,000 to revenue and £365,000 to profit before tax.

The fair value adjustments reflect:

• Uplift in the valuation of freehold property to fair value;
• Finalisation of the purchase price allocation and presentation of the identified other intangible assets of customer relationships and brand, with the associated deferred tax liability provided; and
• Settlement of certain liabilities on acquisition.

On 28 March 2019, the Group acquired 80% of the share capital of Ryder Geotechnical Limited for a cash payment of £2. Ryder Geotechnical Limited is involved in geotechnical consulting for subsea environments.

Consideration as at 28 March 2019	**(£000)**
Cash	-
Total consideration	-

For cash flow disclosure purposes, the amounts are disclosed as follows:

Cash consideration	-
Cash acquired	**13**
	13

Recognised amounts of identifiable assets acquired and liabilities assumed.	**Values recognised at acquisition**		
	Book value (£'000)	**Adjustments (£'000)**	**Fair value (£'000)**
Assets			
Property, plant and equipment	**11**	-	**11**
Trade and other receivables	**90**	-	**90**
Cash and cash equivalents	**13**	-	**13**
	114	-	**114**
Liabilities			
Trade and other payables	**(14)**	-	**(14)**
Borrowings	**(5)**	-	**(5)**
	(19)	-	**(19)**
Total identifiable assets	**95**	-	**95**
Gain on bargain purchase			**(95)**
Total			-

Ryder Geotechnical Limited contributed £nil to revenue and £nil to profit before tax due to the close proximity of the acquisition to the year end.

26. Post balance sheet events

There has been no significant change in the financial or trading position of the Group or Company since 31 March 2019, to the date of the approval of these financial statements.

Parent company balance sheet

as at 31 March 2019

	Note	2019 (£000)
Non-current assets		
Investments	3	42,484
Deferred tax assets		67
Trade and other receivables	4	15,869
Total non-current assets		58,420
Current assets		
Trade and other receivables	4	4,062
Cash at bank and in hand		3,848
Total current assets		7,910
Total assets		66,330
Equity and liabilities		
Share capital		507
Share premium		64,100
Merger relief reserve		993
Retained earnings		(468)
Total equity		65,132
Current liabilities		
Trade and other payables	5	1,198
Total current liabilities		1,198
Total liabilities		1,198
Total equity and liabilities		66,330

The Parent Company financial statements were approved by the Board of Directors on 24 June 2019 and were signed on its behalf by:

S Hurst
Chief Financial Officer & Company Secretary
Company registered number: 11383143

Parent company statement of changes in equity

as at 31 March 2019

	Share capital (£000)	Share premium (£000)	Merger relief reserve (£000)	Retained earnings (£000)	Total equity (£000)
On incorporation on 28 May 2018	-	-	-	-	-
Loss for the year	-	-	-	(836)	(836)
Total comprehensive expense for the year	-	-	-	(836)	(836)
Issue of shares on IPO	500	64,500	-	-	65,000
Expenses of the IPO	-	(400)	-	-	(400)
Issue of shares post IPO	7	-	993	-	1,000
Share based payments	-	-	-	368	368
Total transactions with owners, recognised directly in equity	507	64,100	993	368	65,968
Balance at 31 March 2019	507	64,100	993	(468)	65,132

Notes to the parent company financial statements
for the year ended 31 March 2019

1. Significant Accounting Policies

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 Unit 1, Park 2000, Millennium Way, Aycliffe Business Park, Newton Aycliffe, County Durham, DL5 6AR. 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.

Initial public offering ("IPO")
The Company's shares were admitted to trading on the Alternative Investment Market ("AIM"), a market operated by the London Stock Exchange, on 20 June 2018. These Group financial statements are the Company's first subsequent to its admission to AIM and followed a group reorganisation to facilitate the IPO. The consolidated financial statements were approved and authorised for issue by a duly appointed and authorised committee of the Board of Directors on 24 June 2019.

These financial statements have been prepared under merger accounting principles because the transaction under which the Company became the holding company of Tekmar Limited, the previous parent undertaking of the Tekmar trading operations, was a group reorganisation as the Company did not actively trade at that time.

The result of the application of the capital reorganisation is to present the financial statements as if the Company had always owned the Tekmar trading operations.

Group reorganisation
The principal steps of the Group reorganisation were as follows:
The Company was incorporated on 25 May 2018 as a private company limited by shares in England and Wales, with the allotment of 1 share of £0.01.

The Company issued 5,000,000 redeemable shares of £0.01 each in the capital of the Company which were redeemed shortly after Admission.

Under an Escrow agreement dated 14 June 2018, the selling shareholders agreed to sell their shares in Tekmar Limited to the Company immediately on Admission and the selling shareholder of AgileTek Engineering Limited agreed to sell his shares to Tekmar Holdings Limited immediately on Admission.

The acquisition by the Company of the shares in Tekmar Limited and AgileTek Engineering Limited constitutes a group reorganisation and the transaction is accounted for as a capital reorganisation. Under merger accounting principles, the assets and liabilities of the subsidiaries are consolidated at book value in the financial statements and the consolidated reserves of the Group are adjusted to reflect the statutory share capital, share premium and the reserves of the Company as if it had always existed.

The Company issued 50,000,000 shares of £0.01 each on Admission to AIM 20 June 2018. The consideration in excess of the nominal value of £500,000 has been recorded as share premium. An amount was also recorded in merger reserve in respect of the element of the IPO proceeds to acquire the existing group. IPO costs of £400,000 have been charged to the share premium account.

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"
o 10(d) (statement of cash flows);
o 16 (statement of compliance with all IFRS);
o 11 (cash flow statement information); and
o 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.
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 £0.836 million. There are no material differences between the profit after taxation in the current and prior year and its historical cost equivalent. Accordingly, no note of historical cost profits and losses has been presented.

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 the lower of their realisable value or value in use.

Deferred taxation
Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax assets are regarded as recoverable and recognised in the Group financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the timing differences can be deducted. The recoverability of tax losses is assessed by reference to forecasts which have been prepared and approved by the Board. No timing differences are recognised in respect of revalued tangible fixed assets or fair value adjustments to acquired tangible fixed assets where there is no commitment to sell the asset. The deferred tax assets and liabilities are not discounted.

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.

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 fair value, 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 cash and cash equivalents and trade and other receivables, including amounts owed by related entities.

Impairment of financial assets

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

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 deferred income and are initially recognised at transaction price, 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 and rebates.

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 contingent 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

Share based payments
The weighted average fair value of equity options granted is determined using various fair value models, including Black-Scholes-Merton and Monte Carlo models. The Group makes assumptions in identifying the appropriate inputs significant as disclosed within note 24 to the Group financial statements. The assumptions are subject to estimation and are considered for reasonableness at each balance sheet date.

(b) Critical accounting estimates

Impairment of non-current assets
The carrying amount of the Company's investments in subsidiaries £42,484,000 as at 31 March 2019. The Directors have carried out an impairment review in accordance with the accounting policies. The forecast cash generation for each Cash Generating Unit ("CGU") and the Weighted Average Cost of Capital ("WACC") represent significant assumptions.

The cash flows are based on a three year forecast with growth between 13.2% and 14.9%. 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 10.0%.

The value in use calculations performed for the impairment review, together with sensitivity analysis using reasonable assumptions, indicate ample 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.

2. Remuneration of Directors and Auditors

Details of Directors' remuneration are shown in the Directors' Remuneration Report on page 60 of the Group financial statements. Details of auditor remuneration are shown in note 8 of the Group financial statements.

3. Investments in subsidiary undertakings

	(£000)
Cost and carrying amount	
On incorporation	-
Additions	42,484
At 31 March 2019	42,484

Under an Escrow agreement dated 14 June 2018, the selling shareholders agreed to sell their shares in Tekmar Limited to the Company immediately on Admission and the selling shareholder of AgileTek Engineering Limited agreed to sell his shares to Tekmar Holdings Limited immediately on Admission.

The Directors believe that the carrying value of the investments is supported by their underlying net assets. The Company directly owns the whole of the issued ordinary shares of the following subsidiary undertakings: Details of the investments in which the Company 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
Tekmar Limited	Ordinary	100%
Subsea Innovation Limited	Ordinary	100%

All the companies listed above are incorporated in England and Wales, and have a registered address of Unit 1, Park 2000, Millennium Way, Aycliffe Business Park, Newton Aycliffe, County Durham, DL5 6AR. 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	Principle activity
Tekmar Limited	Holding of shares in subsidiary companies and the management thereof
Subsea Innovation Limited	Design and manufacture of equipment for the offshore oil and gas industry

4. Trade and other receivables

	2019 (£000)
Amounts owed by Group undertakings - non -current	15,869
Amounts owed by Group undertakings - current	4,054
Prepayments and accrued income	8
	19,931

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 repayment of the balances is within the control of the Group.

5. Creditors: amounts falling due within one year

	2019 (£000)
Trade creditors	8
Amounts due to group undertakings	23
Other taxation and social security	83
Accruals and deferred income	84
Deferred consideration	1,000
	1,198

All of the amounts owed to Group undertakings shown above are repayable on demand.

6. Share Capital

Details of movements in shares are set out in note 22 to the Group financial statements.

7. 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.

8. 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 expenses of £312,527 in respect of the equity-settled share-based payment transactions in the year ended 31 March 2019.

9. Post balance sheet events

There has been no significant change in the financial or trading position of the Group or Company since 31 March 2019, to the date of the approval of these financial statements.

Shareholder Information

Annual General Meeting

The AGM will be held at 10am on 21 August 2019 at Tekmar, Park 2000, Millennium Way, Newton Aycliffe DL5 6AR. The Notice of Meeting will be separately distributed to shareholders.

Key Contacts:

Company Secretary
Sue Hurst
Registered office: Tekmar Group plc
Park 2000
Millennium Way
Newton Aycliffe
DL5 6AR.

Investor Relations
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Enterprise House
1-2 Hatfields
London
SE1 9PG

Nominated Advisor
Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

Broker
Berenberg
60 Threadneedle St
London EC2R 8HP

Auditor & Tax advisors
KPMG LLP
Quayside House
110 Quayside
Newcastle Upon Tyne NE1 3DX

Bank
Barclays
Barclays House
5 St Ann's Street
Quayside
Newcastle NE1 3DX

Registrar
Equiniti Limited
Aspect House
Spencer Road
Lancing Business Park
West Sussex BN99 6DA

Glossary

Adjusted EBITDA earnings before interest, tax, depreciation and amortisation, and non-recurring and exceptional items

Admission the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules for Companies

AEL AgileTek Engineering Limited

AgileTek AgileTek Engineering Limited

AIM the AIM market of the London Stock Exchange

API American Petroleum Institute

Berenberg Joh. Berenberg, Gossler & Co. KG, London Branch, broker to the Company and sole global coordinator

Board the board of Directors of the Company

Brent Crude a trading classification of sweet light crude oil that serves as a benchmark price for purchases of oil worldwide

CAGR compounded annual growth rate

CPS cable protection system

EEA the European Economic Area

EU the European Union

Executive Directors the executive Directors of the Company as at the date of this document, namely James Ritchie-Bland and Susan Hurst

FCA or **Financial Conduct Authority** the Financial Conduct Authority of the United Kingdom

Flowline a flexible pipe laid on the seabed linking subsea structures for the transportation of crude oil or natural gas

Group as from Admission means the Company and its subsidiaries,

GW gigawatt, a unit of power

HSQE health, safety, quality and environmental

IAC Inter Array Cables

J-Tube a hollow steel tube that has the shape of a letter "J" attached to the outside of a monopile or wind turbine platform to act as a conduit for the power cable that runs from the wind turbine to the seabed

Monopile a large-diameter, fixed single column foundation structure to support the above-surface wind turbine typically used in shallow water

MWh megawatt hour, a unit for measuring power

Non-Executive Directors the non-executive Directors of the Company (including the Chairman) as at the date of this document, namely Alasdair MacDonald, Christopher Gill and Julian Brown

QCA the Quoted Companies Alliance

QCA Code the QCA Corporate Governance Code published in 2018

OWF Offshore Wind

RYD Ryder Geotechnical Limited

SIL Subsea Innovation Limited

Subsea division the division of the Group's business focused on the oil and gas industry

SURF Subsea Umbilicals, Risers and Flowlines

TEL Tekmar Energy Limited

TRL Number of technology and products within the Group

Umbilical subsea umbilical system providing vital supply (such as electric power, hydraulic power) and control link from platforms or topside vessels to subsea oil and gas equipment

Financial calendar

21 August 2019 – Annual General Meeting
30 September 2019 – Half Year End
December 2019 – Interim Results
31 March 2020 – Full Year End
July 2020 – Full Year Results

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