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Highlights

- Major Cable Protection System ("CPS") projects secured and/or delivered globally, including increased volume manufactured and exported to China and first Generation 10 CPS delivered and installed subsea
- Various contract awards in support of the Offshore Wind Operations & Maintenance (O&M) market, including the delivery of first significant O&M scope
- Secured and delivered largest Marine Civils project to date in Canada
- Established strategic partnership in the US in preparation for project activity anticipated with the emerging US offshore wind industry and to enhance Tekmar Group's floating wind offering
- Established local entities in the UAE and Kingdom of Saudi Arabia, supported by a plan for expansion in the Middle East
- Middle East expansion progressing with various contract awards, including a \$10m award for pipeline support and protection for a major subsea customer (announced January 2022)
- Selected for Dogger Bank Offshore Wind Farm, when delivered will be the largest Global Offshore Wind Project (announced December 2021)
- The Group held £3.5m of cash at 30 September 2021 including full draw down of the £3.0m CBILS loan and a further £3.0m trade loan facility
- Post year end, the Group extended its CBILs facility to October 2022 and extended and increased the trade loan facility to £4.0 million, which is available at least to November 2022

The above contract awards highlight the breadth and depth of our offering and supports growth in our order book to £20.3m as at the end of December 2021, which is the largest we have reported since our admission to AIM.

Cautionary note and disclaimer

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

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

Strategic Report

A 5-year strategy delivering on the opportunity and promoting long term value for shareholders.

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

- a) Leveraging our market advantage**
- b) Expanding and deepening our value proposition**
- c) Innovation in applied engineering**
- d) Disciplined investment**
- e) Operational excellence**
- f) High quality profitable growth**
- g) Sustainable shareholder returns**

The strategy is supported by our core building blocks

- a) Organic Growth:** Ambition to double organic revenue growth over the next 5 years from FY20 revenue of ~£40m
- b) Sustainable Business:** Deliver a sustainable mid-to-high teens EBITDA margin in the later years of the plan
- c) Acquisition Strategy:** Bolt-on technologies and services that align with our offshore wind focused growth plan

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Chairman's Statement



It is my pleasure to introduce the 2021 Report to shareholders, which covers the extended 18-month financial period to 30 September 2021. Whilst this is my first report as Chairman, I have been on the Board of Tekmar since its admission to AIM in 2018 and have over 20 years' experience within the Renewables and Offshore energy market. The reason for highlighting this is to give context to the comments I make in this introduction.

The market environment in which we are currently operating is in many ways unprecedented in its "double-edged" nature. We have an industry which is maturing, and needs to mature, in the offshore environment and a critical call to action with Net Zero by 2050, which is focusing the minds of governments, the energy industry, the global finance community and society more broadly. This presents a clear opportunity for Tekmar to be part of the industry response, highlighted by the over 200GW increase in offshore capacity expected to be installed by 2030, from a current installed base globally of 40GW. The recent ScotWind auction is a case in point, where we are also seeing floating offshore wind as an important part of the mix. These types of complex offshore and

subsea installations are moving closer to the near-term horizon and increasingly will play to Tekmar's strengths as we continue our transition as an engineering solutions led company.

It is my conviction that this is increasingly what the industry needs, today and into the future. When I think about the capability we have across our business – to analyse, simulate and understand the subsea environment, to use our technology and engineering capability to provide strategic solutions, and to build on our industry learnings as a critical part of the offshore supply chain for over 30 years, I see a tremendous opportunity ahead for Tekmar. The great work of the team, involving collaboration across the business, in securing our role to provide the cable protection strategy to DEME Offshore in support of the Dogger Bank wind farm, shows the critical importance of our understanding and of our differentiated approach.

Set against this, and as has been widely observed, current market conditions are tough across the industry. Obviously, the protracted impact of the pandemic has caused significant disruption across global logistics with rapid raw material cost inflation also hurting the supply chain. A further consequence has been significant delays to project FIDs, or Final Investment Decisions, which affects our pipeline and resource planning. A personal observation is the industry needs to encourage governments to smooth the flow of offshore wind projects in construction. In the UK, for example, more frequent Contracts for Difference (CfD) auctions will strengthen the stability and visibility for the UK's increasingly valuable offshore supply chain, giving them the confidence to invest, to maintain industry leadership and create valuable jobs. This is particularly important when you consider the pressure being exerted on the supply chain as the offshore wind industry transitions to a sustainable and competitive levelised cost of energy, or LCoE.

Tekmar, of course, is more than a supplier of product to the offshore wind industry. It's important to emphasise in this context, and is a key feature of the results we are reporting, the success of the acquisitions we have made in making us more resilient to the offshore wind market and in building our subsea expertise. We are a more balanced business as a result of these acquisitions and they position us to offer valuable, integrated solutions to our customers.

This has been a challenging period for our people who are steering us through significant change as well as dealing with the personal hardships of the COVID-19 pandemic. On behalf of the Board, I would like to thank all our staff for their resolute hard work and dedication in focusing on supporting the Group's performance alongside playing their role in building on Tekmar's strong foundations to improve our business. During the period, Alasdair MacDonald took over the CEO role, having assumed the role of Executive Chair on a temporary basis following the resignation of James Ritchie-Bland. The appointment of Ally as CEO was made in October 2020, following the Nomination Committee's extensive and rigorous formal process. Derek Bulmer also joined the Board as CFO in June 2021, ensuring a smooth transition from Sue Hurst, who retired after 10 years' in the role. We would like to reiterate our thanks to James and Sue for their considerable contribution in growing Tekmar.

Whilst we are not reporting the financial performance we would want to for this period, it is a function of the broader environment, which has not been easy for the best part of two years. Ally and the new team are doing a great job of responding to these conditions alongside restructuring the business to the new environment.

Julian Brown Non-Executive Chairman

⁽¹⁾ The Contracts for Difference (CfD) scheme is the government's main mechanism for supporting low-carbon electricity generation

CEO Review



Tekmar is at a pivotal stage as a company - we have built strong foundations and have a market opportunity in our offshore wind and subsea markets that is striking in its scale.



Alasdair MacDonald, CEO

Change, opportunity and a stronger engineering culture. This has been our focus as a business since I took over the role of Executive Chairman and subsequently Group CEO in 2020. Tekmar is at a pivotal stage as a company - we have built strong foundations and have a market opportunity in our offshore wind and subsea markets that is striking in its scale. As Julian highlighted in his introduction, the industry is changing, with a maturing industry alongside technology transition as installations and ongoing maintenance become more complex and challenging. This is positive for Tekmar and we are using our expertise to provide the industry leading solutions in our field, giving customers what they need to adapt to this changing environment. Our role in providing the cable protection strategy for Dogger Bank, set to be the world's largest offshore wind farm, underscores the scale of the opportunity ahead of us and validates how our integrated approach is resonating with the market.

To make sure we capture this opportunity fully, Tekmar is changing. We highlighted in our capital markets day ("CMD") in July 2021 that we would drive through a number of business improvement initiatives to enable us

to benefit from more predictable, higher quality earnings and improved cash generation, based on a stronger, engineering-led business. We also highlighted this would involve a transition period for the business through 2022 as we prepared the business for significant order book growth, which we anticipate flowing through to accelerated revenue growth from FY23 onwards. Our view on the trajectory of growth in the market remains very positive over the mid-to long-term, supporting the ambitions we outlined at the CMD. This view is supported by visibility on planned offshore wind construction projects, with over 200GW of new capacity by 2030, and by broader market indicators and industry analysis. We share this analysis with investors, with key industry analysis provided in this Report and summarised in the Markets section below.

There has been considerable change in the business through the 2021 financial period and this change continues. There has been significant change in personnel, with key roles strengthened to align with our core values as an engineering-led business. We are prioritising investment in our technology, product and

services offering and strengthening our processes, systems and control. Our sales strategy has been reshaped with greater focus on higher margins rather than volume and more robust governance procedures during a bid process. We are embedding a more disciplined framework in managing commercial risk and strengthening the technical content of proposals with dedicated engineering resource. The above examples give an illustration of the type of changes we are making to strengthen the business, but we are doing a lot more across key areas such as Organisation Leadership & Culture, Engineering Solutions & Organisation, Commercial Risk Management and Project Execution.

At our capital markets day, we set out our growth plan and our ambition to double organic revenue over the next five years and to deliver a sustainable mid to high teens EBITDA margin in the later years of the plan. M&A complements organic growth under the plan, building on the valuable acquisitions we have made. Acquisition candidates will share a similar customer base to our existing portfolio and support diversification into new products, markets or regions, aligned with our major opportunities in offshore wind and the subsea environment.

We came to market in 2018 as a business best known as the market leading provider of offshore wind cable protection systems. A key priority since IPO has been to diversify as an engineering-led services business that combines our technology and product capability. The acquisitions of Subsea Innovation, Ryder Geotechnical and Pipeshield accelerated this diversification and these businesses are now fully integrated and offer a lot of value to our Group, both financially and also strategically. Under our strategic plan, we see the opportunity to drive significant growth by building on these strong foundations and diversifying further into the offshore wind industry and subsea environment.

Financial performance and operational review

This was a challenging financial period for Tekmar, with COVID-19 related disruption a factor across the extended 18-month period from April 2020 to September 2021. Derek reviews the financial performance and position in his commentary, but from my perspective, whilst clearly it is disappointing to report an adjusted EBITDA loss of £2.1m, I do believe as a business we responded to these challenges as well as we could reasonably expect in what has been and remains a difficult market environment.

We are an operationally geared business, and the profitability impact of lower volumes has been exacerbated for Tekmar by the operational challenges in the current market. We covered the substance of

these challenges in our October trading update - the dislocation to global trade flows, challenges with shipping goods for delivery, supply chain constraints and cost control pressures. A related challenge is short term delays to projects and lengthy tender and bid processes, with some projects taking 12 or more months to secure. Whilst this adds uncertainty to our business planning and pipeline visibility, and the prevailing market environment remains difficult across the supply chain, we do think it highlights the more prudent approach the industry is moving towards and that this plays to the strengths of our integrated, solutions-led offer.

We have made good progress in FY21 and into FY22 in securing a number of landmark contracts in line with our strategic plan:

- We are diversifying into the growing O&M market, with various contract awards in support of Offshore Wind Operations and Maintenance projects. This includes an ongoing landmark project providing O&M solutions to a UK offshore wind farm
- We are extending our geographical reach, targeting regional growth in-line with market expectations of future growth, including China where we generated approximately £7m in revenue in FY21 through our Shanghai base
- Our Marine Civils division has secured two transformational contracts, expanding our reach in North America and the Middle East, with the latter contract announced in January 2022 worth in excess of \$10m, the largest contract Tekmar has secured to date
- We are successfully evolving our commercial proposition in subsea cable protection, where we have all Group companies working on engineering solutions supporting our holistic and differentiated cable protection strategy offering. Recent contract wins, including Dogger Bank, demonstrate the combined value of the Group in addressing the complex engineering challenges of the subsea environment
- A contract award with Van Oord to supply Tekmar's Cable Protection System ("CPS") for the Baltic Eagle offshore wind farm in the Baltic Sea, Germany
- A partnership agreement with DeepWater Buoyancy announced in August 2021, which supports Tekmar's ambition for the global floating wind market and the US fixed offshore wind market.
- A contract award from EPC contractor to design, build and supply an Emergency Pipeline Repair System for a subsea project in Qatar
- A contract award from EPC contractor to manufacture and supply concrete mattresses for a subsea project in the UK.

⁽¹⁾ Adjusted EBITDA defined in CFO review on page 12

These contract awards and related pipeline activity highlight a healthy level of forward visibility, with the Company reporting an order book at the end of December 2021 of £20.3 million, which is the highest order book value the Company has reported since its admission to AIM. This order book helps to support a broader pipeline of opportunity which the Company estimates to be in the region of £100 million. In addition to the £20.3 million order book, the Company estimates visible projects at advanced bid and bid stage to be in the region of £25 million, with the remainder representing a reasonable level of visibility through typical run-rate activity the Company expects to see and visible projects which have not yet reached the bid stage.

We continue to engage constructively with industry partners to help assess the legacy issues relating to cable installation which has had some industry prominence in the last 12 months. We see this as a wider industry issue that we are well set up to support as demonstrated on recent contracts where we have all Group companies working on engineering solutions in support of cable protection strategies, utilising our analytical and engineering capability, alongside our subsea and offshore wind expertise. Whilst we are managing this as part of our commitment to responsibly supporting our customers, the learnings complement our existing expertise and capability and supports our strategic initiative to further diversify across the wider lifecycle of offshore wind projects, including our growing O&M capability, where Tekmar's technical understanding can be of real value to our customer.

Market

The global market for offshore wind, the Group's core market, continues to strengthen and we are encouraged by the UK Government's initiatives to support UK content within the UK sector. Most notably:

- Projected global demand increasing from a fully commissioned capacity of 41GW to projected global capacity of 244GW (starting offshore construction) by 2030, with project visibility on over 300 projects globally
- The UK has committed to quadrupling its offshore wind capacity from 10GW to 40GW in the next 10 years, presenting a sizable growth opportunity for the Group in our home market
- The US is targeting 30GW installed offshore wind capacity by 2030, broadly equivalent to existing global installed offshore wind capacity
- Sixfold increase in global demand for subsea power cables, one of Tekmar's key service and technology application, with over 100,000km of cable expected to be installed globally by the end of 2030 compared

to less than 17,000km which were installed by the end of 2020

- China, Europe and the US will dominate the offshore wind markets within the decade, markets which Tekmar already supplies and is well-positioned to benefit from future growth
- Global floating wind industry is expected to grow at a commercial scale from 2025 with 14GW of floating offshore wind capacity forecast to be installed or underway globally by 2030

Sustainability and People

Fundamental to the delivery of our ambitions are the contribution our people make, along with the impact we have on the environment, our local communities and the wider world. We have invested considerable time over the last year to develop specific **PEOPLE** and **ESG** strategies and these are detailed in our Sustainability Report.

I would also like to extend my thanks to the team at Tekmar. Managing change can be difficult and I recognise the last two years have been particularly demanding for the team and the scale of change has been significant. It will take time for the benefits of this change programme to be reflected in the financial performance of the business, but the plan is working and we are building a stronger business that can continue to deliver real value to our customers. We have a great team in place and I look forward to continuing the journey with you and thank you for your effort and commitment.

Near-term Outlook

As the Company highlighted in its trading update on 21 October 2021, the dislocation to global trade flows continues to act as a near-term headwind across the industry. However, whilst Tekmar is not immune to these industry-wide pressures, and it is difficult to assess when these pressures will abate, the Board is greatly encouraged by the operational progress the Company is making towards delivering its strategic goals announced at the 2021 CMD, supported by the record £20.3m order book as at end December 2021 and broader pipeline of activity.

The Company has announced a number of significant contract wins over the course of the last six months, highlighting the progress the Company is making towards diversification and regional expansion, and reinforcing Tekmar's leading position as a trusted partner to customers.

Of particular note is the partnership with DEME Offshore, announced in December 2021, contracting Tekmar to design, manufacture and supply

Cable Protection Systems (CPS) for the Dogger Bank Wind Farm, which is set to become the world's largest offshore wind farm by capacity.

These recent contract wins highlight the commercial momentum which has developed across the business, demonstrating that customers are recognising the value of Tekmar's integrated and engineering-led solutions. This momentum is particularly important in the current financial year, as the Board aims to complete the transition period in FY22, ahead of restoring sustained profitable growth, achieving margin improvement and broadening the Company's growth strategy to strengthen its position in FY23 and beyond.

In terms of financial performance for the current year, the Board expects revenues for the 12 months to 30 September 2022 to be ahead of the 12-month equivalent of approximately £32m for the period to 30 September 2021 and for revenues to be strongly weighted to the second half of the financial year. Management's visibility on this weighting is supported by a number of significant secured project awards which are expected to contribute materially to revenues for the second half of 2022. This includes, inter alia, the \$10m contract announced in January 2022, the bulk of which is planned to be delivered in the second half of 2022, in addition to meaningful contributions from the Dogger Bank project, opportunities in China and two further O&M contracts we have been awarded.

Final perspective

We continue to see 2022 as a transition year for Tekmar and the industry, although we are encouraged by our own momentum, with our record order book of £20.3m as at the end of December 2021 and the improving activity levels across the industry.

We have announced a number of landmark contracts that highlight the strategic progress we are making through diversification and regional expansion and reinforcing Tekmar's leading position as a trusted partner to customers. We have strengthened the leadership team in-line with our focus on establishing a stronger engineering culture across the business. We are investing in our technology and applied engineering offering and embedding a number of changes to our systems and processes to improve the way we run the business. The industry investment in our core markets provides significant forward opportunity for us and we believe the market will increasingly look for the integrated, engineering-led solutions and services which differentiates our offering.

Whilst cautious on the environment in the very near-term,

the market outlook is very positive and we believe we are on a path consistent with the trajectory we have set out to restore sustained profitable growth from 2023 in line with our longer-term ambitions for the company.

Alasdair MacDonald
CEO

CFO Review



It is my pleasure to present my first Financial Review for the Group and I would like to start by thanking Sue Hurst for her input and commitment as my predecessor CFO.

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

	18M ending Sep-21 £000	12M ending Mar-20 £000
Revenue	47.0	40.9
Adjusted EBITDA ⁽¹⁾ (LBT) / PBT	(2.1) (5.8)	4.7 2.0
Adjusted EPS ⁽²⁾	(9.1p)	5.8p

On a statutory basis Group loss before tax was (£5.8m) (FY20: £2.0m profit).

Overview

As has been well documented in prior announcements, the Group has been subject to the significant impacts of the COVID-19 pandemic. As the market has reacted and the constraints of the pandemic took hold, the Group has seen revenue at £47.0m for the extended 18-month reporting period, effectively a fall to a 12-month equivalent of just below £31.3m, down near 23.5% on the 12-months to 31 March 2020. The business has seen cost pressures and inefficiencies driven by these lower volumes, supply chain and logistics matters. This together with a more challenging operating environment across the industry has seen gross profit fall from 30.0% for the prior period to 24% for the current period. As a result Adjusted EBITDA has fallen to a loss of £(2.1)m (FY20: profit of £4.7m).

Despite these challenges of the COVID-19 pandemic, some of which the impacts will flow into the transition year of FY22, we presented the Groups strategic plan to investors in the Capital Markets Day of 22nd July 2021, setting out the significant medium and long term prospects of the Group. This driven by the expansion in offshore wind energy from 33GW to over 238GW by 2030, drawing from the engineering and technology base of the Group, supplemented by the acquisitions on complementary technologies and products during 2018 and 2019.

The Group has seen two significant contract awards announced during late 2021 and early 2022. The contract at Dogger Bank, the world's largest offshore windfarm with DEME Offshore was followed by a \$10m contract to provide pipeline support and protection materials for a major subsea construction project in the Middle East. As noted in the contract announcement for Dogger Bank, such awards support the Groups strategic plan as we work through ongoing challenges that make for a more challenging near-term environment for the industry in terms of managing costs, contract delivery and associated payment cycles.

Revenue

Revenue by Division (£m)	18M FY21	12M FY20
Offshore Energy	33.8	37.8
Marine Civils	13.2	3.1
Total	47.0	40.9

Revenue by Market (£m)

Offshore Wind	26.9	25.7
Subsea	20.1	15.2
Total	47.0	40.9

Offshore Energy, incorporating Tekmar Energy, Subsea Innovation, AgileTek and Ryder Geotechnical, all of which operate largely as a single unit, saw revenue severely impacted by the protracted and ongoing effects of COVID-19, with revenue at £33.8m for 18-months compared to £37.8m for the previous 12-month period. Towards the latter part of the reporting period a significant number of despatches were successfully delivered with our contracts into China, despite the many challenges, with that region seeing revenue of £7.0m (FY20: £1.1m). This division also saw its first significant O&M contract delivered in a project providing a fix and secure solution to our clients failed system that had been supplied by a competitor to the Group.

Marine Civils, largely comprising Pipeshield, saw revenue for the 18-month period at £13.2m (FY20: £3.1m). In the prior period for FY20 much of the division became part of the Group only halfway through the year following the acquisition of Pipeshield in October 2019, so in effect compares an 18-month period to a 6-month period. The larger part of the underlying growth was driven by a contract of in excess of £4m to design, engineer, and manufacture a subsea scour protection solution for a major quay development project.

Gross Profit

Gross profit by Division (£m)	18M FY21	12M FY20
Offshore Energy	8.2	11.2
Marine Civils	3.0	1.1
Total	11.2	12.3

Gross profit by Market (£m)

Offshore Wind	8.9	9.8
Subsea	5.0	4.3
Unallocated costs	(2.7)	(1.8)
Total	11.2	12.3

Gross profit reduced in the year due to a change in project mix along with the impact of COVID-19, where cost pressures and inefficiencies driven by lower volumes, supply chain and logistics matters, plus a more challenging operating environment under COVID-19 restrictions saw gross profit fall to 24% (FY20: 30%).

Within Offshore Energy, gross profit fell to 24% (FY20: 30%) and within Marine Civils, gross profit fell to 30% (FY20: 35%) due to the impacts noted above. Offshore Energy was particularly impacted due to lower volumes of sales as it carries fixed manufacturing costs of an annual equivalent of £2m. Further, this division incurred costs supporting investigations to support our customers in the industry wide infield cable protection issues caused by the movement of the CPS over the rock-scour protection installed on the seabed.

Operating expenses

Operating expenses for the 18-month period to 30 September 2021 was £16.7m (FY20: £10.2m). The pro-rata equivalent for 12 months being approximately £11.1m, indicating an annual, like for like increase of £1.1m, driven by the full year impacts of the Marine Civils division.

Adjusted EBITDA

Adjusted EBITDA is a primary measure used across the business to provide a consistent measure of trading performance. The adjustment to EBITDA removes certain non-cash and exceptional items to provide a key metric to the users of the financial statements as it represents a useful milestone that is reflective of the performance of the business resulting from movements in revenue, gross margin and the cash costs of the business. The Board reviews all exceptional items to ensure resulting Adjusted EBITDA achieves this.

⁽¹⁾ Adjusted EBITDA is a key metric used by the directors. Earnings before interest tax depreciation and amortisation are adjusted certain non-cash and exceptional items. Details of the adjustments can be found in the adjusted EBITDA section below

⁽²⁾ Adjusted EPS is a key metric used by the Directors and measures earnings after adjusting for non-recurring items. Earnings for EPS calculation are adjusted for share-based payments (£364k FY21) and amortisation on acquired intangibles (£1,128k FY21)

For the 18-month period ended 30 September 2021 and the comparable 12-month period to 31 March 2020, the adjustment includes share-based payment charges relating to the IPO options and SIP schemes launched at IPO costs. Further adjustments relate to the acquisition activities and the amortisation on the acquired intangible assets for Pipeshield during FY20.

Adjusted EBITDA by Divison (£m)	18M FY21	12M FY20
Offshore Energy	(1.9)	4.8
Marine Civils	1.2	0.4
Group costs	(1.4)	(0.5)
Total	(2.1)	4.7

Adjusted items (£k)

Professional fees - acquisition	-	109
Share based payment charge	(364)	454
Total	(364)	563

Profit

The result after tax is a loss of £5.4m (FY20: Profit £2.0m) due mainly to a fall in revenue and reduction in gross margin as set out above.

Foreign currency

We delivered four offshore wind contracts in Euros this year and purchased forward currency transactions on payment milestones. The closing rate for revaluation of Euro balances at the year end was 1.1306 (FY 20: 1.1605).

Balance Sheet	FY21 £000	FY20 £000
Fixed Assets	5.7	5.9
Other non-current assets	25.3	26.3
Inventory	4.0	2.5
Trade & other receivables	18.0	26.8
Cash	3.5	2.1
Current liabilities	12.5	16.6
Other non-current liabilities	3.7	1.1

Fixed Assets

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

Other non-current assets

Goodwill of £22.2m includes the goodwill arising on the original management buy-out of Tekmar Energy Limited in 2011 of £19.6m. The balance relates to the acquisitions of Subsea Innovation during FY19 and Pipeshield during FY20.

Trade and other receivables

Trade and other receivables fell to £18.0m (FY20: £26.8m) due largely to the fall in revenue levels discussed earlier in this review. The high levels of debtors and accrued income relative to revenue reflects the large number of contracts across the Group, including in Offshore Energy into China, plus the major contracts within the Marine Civils division where project milestones were towards the end of the reporting period, or the projects were not yet due for invoicing.

Cash

Cash balance at the period end to 30 September 2021 was £3.5m. The Group has extended its CBILs facility of £3.0m for a further 12 months to October 2022 and has also worked with its relationship bank Barclays, together with UK Export Finance, to introduce an additional trade loan facility of £4.0m, which is available at least to November 2022. This provides the Group with capacity to fund growth and the flexibility to support the working capital requirements typical in delivering the type of contracts that it undertakes in this industry.

Cash continues to be a major focus of the Group as we monitor and manage the working capital lifecycle across projects. We have strengthened much of the business systems surrounding contracting, project management and accounts receivable to drive greater transparency and integration amongst functions and also established dedicated credit control functions. We strongly believe that these enhanced systems will drive greater fluidity in contract lifecycles and cash collection.

Trade and other payables

Trade and other payables fell to £12.5m (FY20: £16.6m) due partly to the fall in revenue levels. Within the FY21 balance of £12.5m, £3.0m relates to a Trade Loan Facility with Barclays Bank which is drawn against supplier payments and is repayable within 90 days of drawdown. Additionally, the balance at 30 March 2020 included £2.75m of deferred consideration due under the Pipeshield acquisition of October 2019, due across two tranches with the first payment of £1.5m being made in April 2020 and the balance of £1.25m in October 2020.

Other non-current liabilities

Other non-current liabilities are £3.7m (FY20: £1.2m), with the increase due to the drawdown and renewal of the £3.0m CBILs facility noted above within the Cash section. Other amounts relate to lease liabilities in relation to IFRS16, deferred grant income and the deferred tax liability relating to the Pipeshield acquisition in 2019.

Other non-current liabilities

Other non-current liabilities are £3.7m (FY20: £1.1m), with the increase due to the drawdown and renewal of the £3.0m CBILs facility noted above within the Cash section. Other amounts relate to lease liabilities in relation to IFRS16, deferred grant income and the deferred tax liability relating to the Pipeshield acquisition in 2019.

Whilst the above results for the 18-month period to 30th September 2021 represent disappointing financial performance during the era of the COVID-19 pandemic and some industry wide challenges, I feel it important to thank the team that have worked with such outstanding levels of commitment and professionalism. With the enhancement of business systems and controls ongoing and currently being executed and the significant market opportunity for offshore wind, I look forward with cautious optimism. I say this, not just because of the market opportunity, but because of the quality of the team that I lead and the Board that I am a part of. It is our absolute commitment to drive value in this business through high quality practices and strong values and cultures.

Derek Bulmer
CFO

Vision, Mission and Values

Our Vision

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

Our Mission

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

Our Values

Work Together

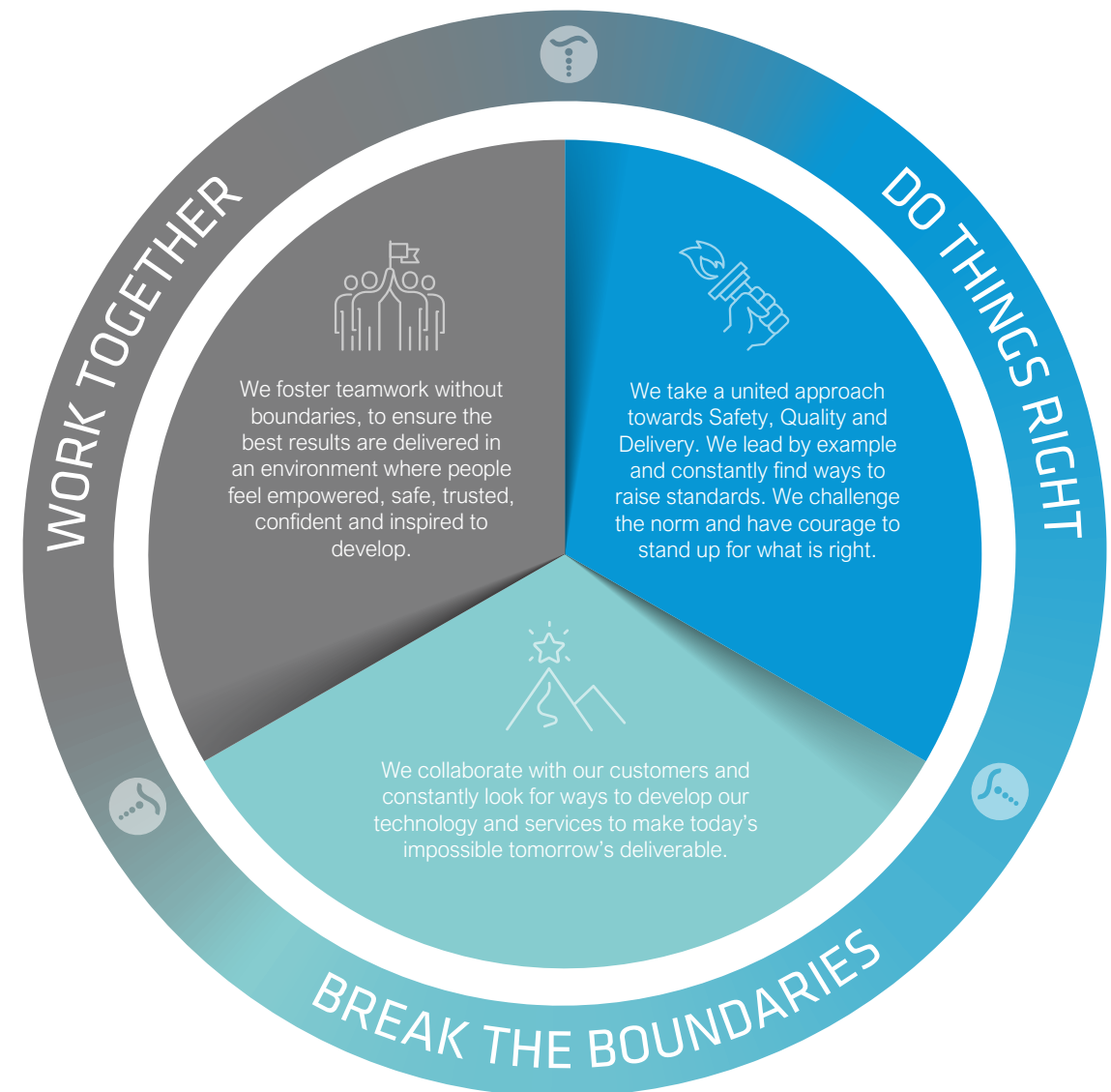
We foster teamwork without boundaries, to ensure the best results are delivered in an environment where people feel empowered, safe, trusted, confident and inspired to develop.

Do Things Right

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

Break the boundaries

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



Strategic Review

Our strategy achieves a doubling of organic revenue and mid-to-high teens EBITDA margin over the five years of the plan

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

The Board has developed a clear 5-year strategy to deliver long-term shareholder value by being a key player in the industry response to these targets.

Our **AMBITION** is to:

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

Our **VALUE PROPOSITION:**

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

The next phase of Tekmar's strategy will see us capitalise on our strong foundations. Diversifying further into the Offshore Wind industry by disciplined investment in new technology and innovation.

Our **KEY FOCUS AREAS** within our growth strategy:

01. Organic Growth

- Strengthen the core business
- Maintain and enhance market leading positions
- Expand Tekmar's technical capability
- Diversify Tekmar's offering
- Self-funded investment

02. Sustainable Business

- Deliver People strategy
- Deliver ESG strategy
- Ongoing business improvement

03. Acquisition Strategy

- Previous acquisitions now integrated for greater efficiency
- Proven synergistic benefits
- Acquisition candidates will share a similar customer base and support diversification into new products, markets or regions

Investment

To deliver the strategy we have identified five priority areas of incremental investment to drive growth and have earmarked £10-12m for these over the course of the plan:

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

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

In order to further strengthen the liquidity of the Group, given the high levels of working capital inherent in our industry, we have upgraded our bank funding. We have rolled the CBILs loan out for a further 12 months to Oct 22 and added a £4m working capital facility (which supports supply chain payments). We also have a larger bank guarantee facility (of £8m), which is also a feature of the offshore wind industry, to support revenue growth in this sector.

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

Section 172 Statement

The Directors consider that they have acted in good faith in the way they consider would be most likely to promote the success of the company for the benefit of its members as a whole, having regard to decisions taken during the period ended 30 September 2021. This is a period of transition for the business and the focus on a Strategy Review covering the next five years will position the Group for success.

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

- Liquidity
- Disciplined investment
- People development
- ESG strategy

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

In terms of our shareholders, it is important for the Board to maintain a good understanding of their interests, and keep shareholders informed regarding the strategy and objectives of the Group. The CEO and other directors communicate regularly with shareholders and meet at least bi-annually. This year the CEO and CFO presented the strategy to shareholders in our first Capital Markets Day, providing shareholders with a platform to discuss this too. The Board recognises its responsibility to act

fairly between all shareholders of the Company and ensures up-to-date information is available on the Group Investor website (investors.tekmar.co.uk) and the Group business website (www.tekmargroup.com), the latter brings together the Group's portfolio of companies into one site, promoting a greater understanding of the breadth of our product and service offering, which supports the global offshore wind, oil and gas, interconnectors, telecommunications, marine civils, and wave and tidal sectors.

Our people are fundamental to the delivery of the strategy and we have developed a detailed People Strategy setting out the key areas of focus and deliverables over the next few years. In addition to providing the right training and development to our teams we will focus on diversity and inclusion as we grow, to ensure the workplace represents the communities in which we thrive. More details are included in our Sustainability Report this year.

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

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

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

Market Review

Market momentum is building with positive trends supporting our growth ambition

OFFSHORE ENERGY

Offshore Wind - A Global Movement

The offshore wind market is reaping the benefits of a global move towards clean renewable energy generation. Strong political support is now in play with a carbon reduction agenda championed at the 2021 G7 Summit and COP 26.

The UK has committed to quadrupling its offshore wind capacity from 10GW to 40GW in the next 10 years, presenting a sizable growth opportunity for the Group in our home market. The UK government is increasing its emphasis on local content and will remove subsidies from UK projects not utilizing the UK supply chain. They have also pledged significant investment in the country's port and manufacturing infrastructure to increase the competitiveness of UK suppliers both locally and exporting globally.

The EU is targeting a fourfold increase in offshore wind capacity to 60GW in the same period, which is accessible to Tekmar through our strong relationships and established

track record in the region. The UK and EU alone will account for over 40% of global offshore wind activity by 2030, a significant opportunity that we are well positioned to take advantage of.

The US has rejoined the Paris Climate Accord and plans to deploy 30GW of offshore wind by 2030. This ambitious commitment aligns with total capacity currently installed worldwide, making the US a key growth region for Tekmar. The group is well positioned for the burgeoning US market with first mover advantage helping us establish a track record in the region, and our recently signed MOU ("Memorandum of Understanding") with a US based subsea buoyancy manufacturer, Deepwater Buoyancy inc, further improving our access to the region and providing stateside manufacturing capability.

Offshore Wind - Market Confidence

The lead indicators highlight a recovery and growth in offshore wind construction activity from 2022 following a slowdown in new project and tender activity in 2019 and 2020 respectively.

Tender activity increased in 2021 with the award of a record 23GW anticipated worldwide. Offshore wind CAPEX commitments reached \$44bn in 2021 further demonstrating market confidence.

This is reflected in our own tender activity where we are experiencing a record high number of enquiries coming into the business, confirming market recovery from 2022 onwards.

Offshore Wind - Global Outlook

As we look at the global offshore wind outlook to 2030, we see credible growth of an additional 198GW by 2030, with a CAGR of 13.5%, taking the total global offshore activity (operational and underway) to 244GW by end-2030.

At time of writing, 35GW of global capacity is either under construction or subject to FID ("financial investment decision), with Europe (16GW) and Asia (18GW) dominating the market. Tekmar benefits from an early move into Asia having established an office in Shanghai China, and built a project track record in China, Taiwan, South Korea, and Japan. Tekmar is well positioned to further support the region going forward, including embryonic markets such as Vietnam and the Philippines.

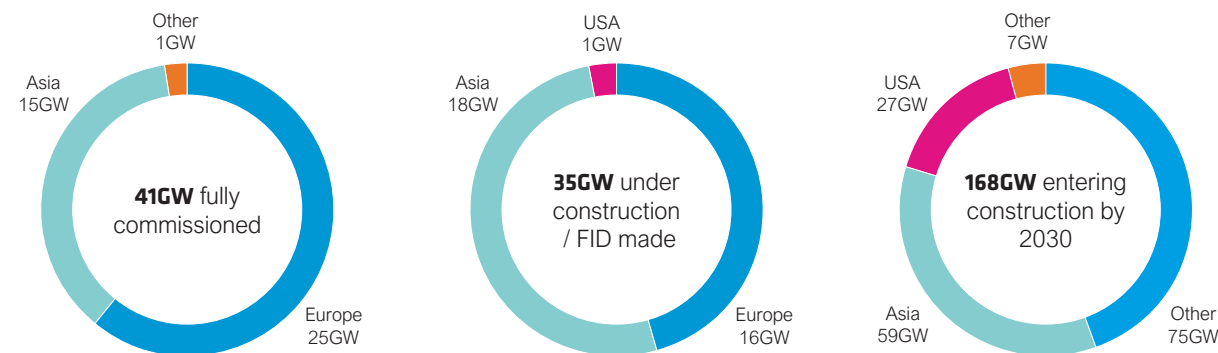
This positive market outlook includes a sixfold increase in global demand for subsea power cables, one of Tekmar's key service and technology applications, with over 100,000km of cable expected to be installed globally by the end of 2030 compared to less than 17,000km which were installed by the end of 2020.

Operations & Maintenance ("O&M")

The offshore wind O&M market is accelerating as the offshore wind market matures and more assets are installed. The growth in O&M provides a major opportunity for Tekmar to grow in this OpEx market by leveraging our existing complementary technologies and customer relationships in support of their asset management during the life of the project.

The overall scale of the global market is valued at £8.9bn per year by 2030. The UK market alone is valued at £1.3bn per year by 2030. Securing a section of this market is a key part of our strategy going forward. The Group is already active in this sector with O&M revenue representing approximately 10% of our annual turnover in FY21, with much more untapped potential, which is why it's a key area of Tekmar's Growth Strategy.

Global Offshore Wind Outlook to 2030 - GW (Source: 4C Offshore)



Estimated Global Offshore Wind O&M Market Value - Ebn (Source: ORE Catapult)

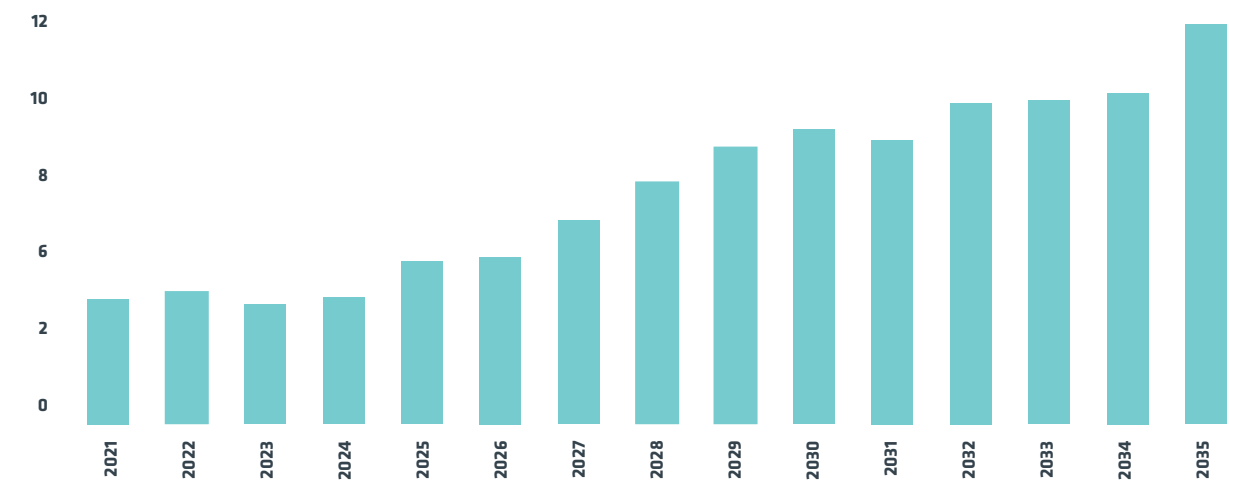




Photo courtesy of Principle Power

Floating Offshore Wind

A new emerging market, floating wind will be a key part of the future offshore renewable energy mix. The industry is expected to grow at a commercial scale from 2025 with 14GW of floating offshore wind capacity forecast to be installed or underway globally by 2030. The UK and Europe are set to be the leaders in floating wind, closely followed by Asia.

Floating wind in the UK has recently been bolstered with the UK government's pledge of £160 million to develop new large-scale floating offshore wind ports and factories. Leading offshore developers and transitioning oil and gas operators have also begun rolling out new floating wind platform concepts which will enable industrial standardisation and acceleration in the development of this market. Tekmar's unrivalled range of innovative marine technology and experience in the 'fixed' offshore wind market will make us the supplier of choice.

Tekmar is leading the way and already active in this exciting market having participated on eight floating offshore wind projects to-date located in Europe, Asia and the US. Additionally, the group has recently enhanced its floating wind product offering through its MOU with Deepwater Buoyancy inc.

Other Infrastructure

Offshore infrastructure activities provide both balanced growth for Tekmar and the opportunity to support other industries in their transition to clean energy and "net zero".

Our adjacent offshore markets remain an important part of Tekmar's strategy. We are pleased to see growth in these markets supported by a strong recovery in the Brent spot price to \$80 per barrel which is encouraging project investment.

The oil and gas (O&G) industry is pivotal in the development, at scale, of a number of clean energy technologies such as carbon capture, storage and usage, low carbon hydrogen, biofuels and offshore wind. Scaling up these technologies and bringing down their costs will rely on large scale engineering and project management capabilities, qualities that are already in abundance in large O&G companies. We are seeing existing customers such as BP, Shell, Equinor, ENI and tier one contractors all now investing in offshore renewables, and we are already supporting them.

MARINE CIVILS

The Marine Civils market contains areas such as estuaries, coastlines, ports and harbours, which require solutions in erosion control, harbour/river works and bridge protection. Marine Civils is a relatively new market for Tekmar with a crossover of technical expertise and the suitability of our products making it an exciting growth market with untapped potential.

Growth in the import and export markets, and the resurgence of the tourism industry is encouraging investment in port infrastructure. Strategic competition is also driving the development of larger terminals capable of accommodating greater volumes of marine traffic and powerful new vessels. There is further demand from the global offshore wind market to develop ports to facilitate construction, operation, and maintenance of fixed bottom and floating wind projects.

Market Fundamentals

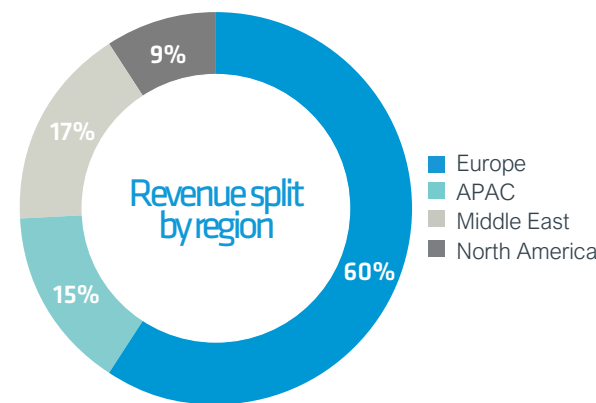
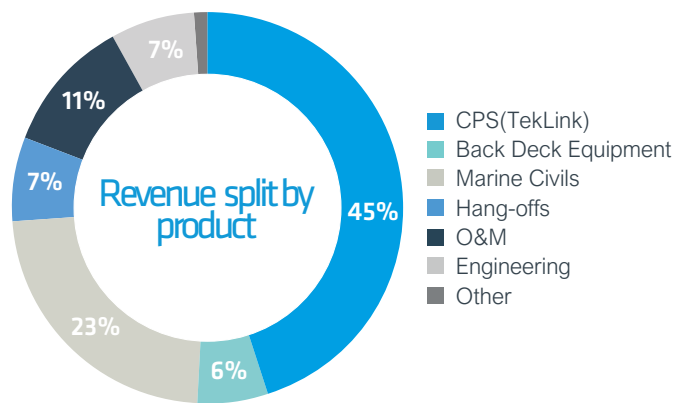
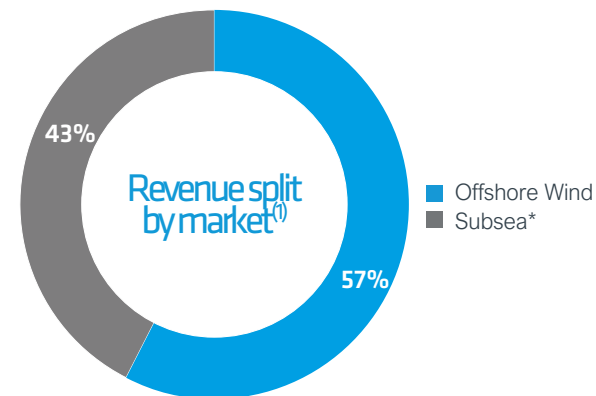
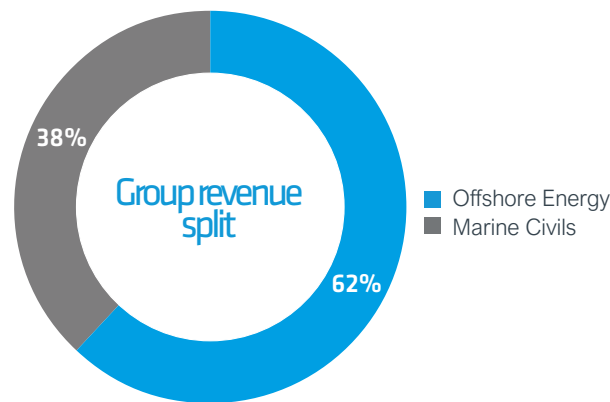
- Strong global political and social support
- Dramatic acceleration in offshore wind
- Emerging regions requiring Tekmar's skills and expertise
- Steady growth and sizeable opportunity in O&M
- Industry Innovation - Floating Wind
- O&G transition to clean energy and "net zero"

Our Business Model

A world-leading subsea technology business built on innovation

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

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



Sectors:

- Offshore Wind
- * Oil & Gas, Interconnectors, Wave & Tidal, Marine Civils, Telecoms

Applications:

- Subsea Cables, Rigid & Flexible Pipelines, Umbilicals, Seabed, Vessel Back Deck, Structures

Customers:

- Developers & Operators, EPCI Contractors, Product & Service Providers

Project Phases:

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

Locations include:

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

Product Categories

- Geotechnical Design & Analysis
- Engineering Analysis & Software Innovation
- Bespoke Equipment Design & Build
- Subsea Protection Technology
- Subsea Stability & Protection Solutions

⁽¹⁾ The Group operates within two operating segments in accordance with IFRS8. We also track markets and areas which our businesses operate in.

Our Business Model in Action

Growth in China

Exporting services and technologies to the global offshore energy markets remains a key part of Tekmar's business model. Global exports represented 57% of Group revenue in FY21, of which 15% of Group revenue was attributed to China, our largest export market to date

The journey in China began in 2017, with Tekmar benefitting from first-mover advantage following the introduction of our innovative CPS technology to China's offshore wind industry, and the subsequent award of a CPS supply contract for the SPIC Binhai 2 offshore wind farm.

Our entry into China was further supported by the then British Chamber of Commerce Shanghai General Manager and founder of the Sino-British Offshore Wind Hub, Angela Lock. Angela joined Tekmar in 2018 as Regional Manager China and leveraged her industry knowledge and experience to help Tekmar secure a second CPS supply contract for the SPIC DaFeng 3 offshore wind farm.

Recognising the need to truly understand the complexities of the Chinese market and the importance of building trusted relationships with local industry stakeholders, in 2019 Tekmar established a legal entity in Shanghai (Tekmar Marine Company Limited). The company recruited locally to build a core team., which was initially responsible for supporting activities in China, but has since evolved to promote Tekmar's offering across Asia as well as providing engineering services, technical support, and training to customers.

Adopting a top down strategy, the team in Shanghai leveraged their relationships with wind farm developers and local design institutes to raise the profile of our high quality services and technologies, and the value they add. Tekmar also actively engaged with local EPC contractors, cable manufacturers and offshore installers to share the benefits of our products. As a result of these positive relationships Tekmar has supplied products to European projects through Chinese customers such as ZTT Cables and Orient Cable.

Tekmar is now widely recognised as innovative, flexible, and reactive in China's offshore wind industry, qualities which are favourable in the region. Tekmar has supported over 9

offshore wind farm projects in China to date with revenue from China increasing from £1.1m in FY19 to £6m in FY21.

We continue to work with regional customers and partners to further expand our activities in Asia, which is one of the three leading offshore wind markets alongside Europe and North America.





Our Business Model in Action

Marine Civils

Tekmar has seen revenue from Marine Civils increase year-on-year and in a relatively short period of time and become somewhat of an expert in this field due to the crossover of technical expertise, and the suitability of Group's products.

In FY2021 Tekmar delivered its largest Marine Civils project to date, valued at £4.4m to design, manufacture and supply a subsea scour protection solution for a port development project in Canada. The project, like most busy ports and marinas with sea going traffic, is vulnerable to scour and quay wall erosion which is commonly caused when the turbulence from vessel thrusters carves out scour pits and damages quay walls, leading our clients to come to Tekmar for a solution.

The projects main challenge was its remote location on the north-west coast of British Columbia. Logistical practicalities and costs often stop a project before it begins. To make the project economical for the client we leveraged our ability to mobilise equipment and personnel within proximity of the worksite, as well as developing relationships with the local supply chain to manufacture the entire scope locally.

To address the scour and erosion challenge, our in-house engineering team assessed site environmental data against project specifications to determine the optimum scour protection solution. This was subsequently validated against historical tank testing data of our unique N2 concrete mattress blocks design. The N2 block design is proven to be three times more stable than competing blocks and offers us a strong market advantage. The engineered solution was to create a protective scour skirt around the quay wall and surrounding area. This included the manufacturing and supply of over 1,150 bespoke concrete mattresses of various sizes ranging up to 8x3 metres, over 650 Precise Rock Placement Units (PRPs) filled with locally sourced rock, and grout bags. The solution also included the design and fabrication of bespoke lifting and installation frames that enabled the client to deploy our products quickly and safely.

Our in-house technical design team further enhanced operational efficiency by developing the next generation pouring moulds. The innovative moulds are capable of casting concrete mattresses of varying size and thickness

and are designed to be containerised to allow easier transportation to the remote work site. The introduction of this new technology further expands our value proposition to our clients and increases our capacity to carry out this type of work in the future.

The project marks our fourth major Marine Civils project in successive years. The project has opened a new geographical region for the Group and introduced new customers who we look forward to working with to diversify further into this market.

Our Business Model in Action

Operations & Maintenance

The O&M market is valued at £8.9bn per year by 2030 and represents a major growth opportunity for Tekmar. We are already leveraging our existing complimentary technologies and customer relationships to maximise our value offering for offshore wind O&M projects.

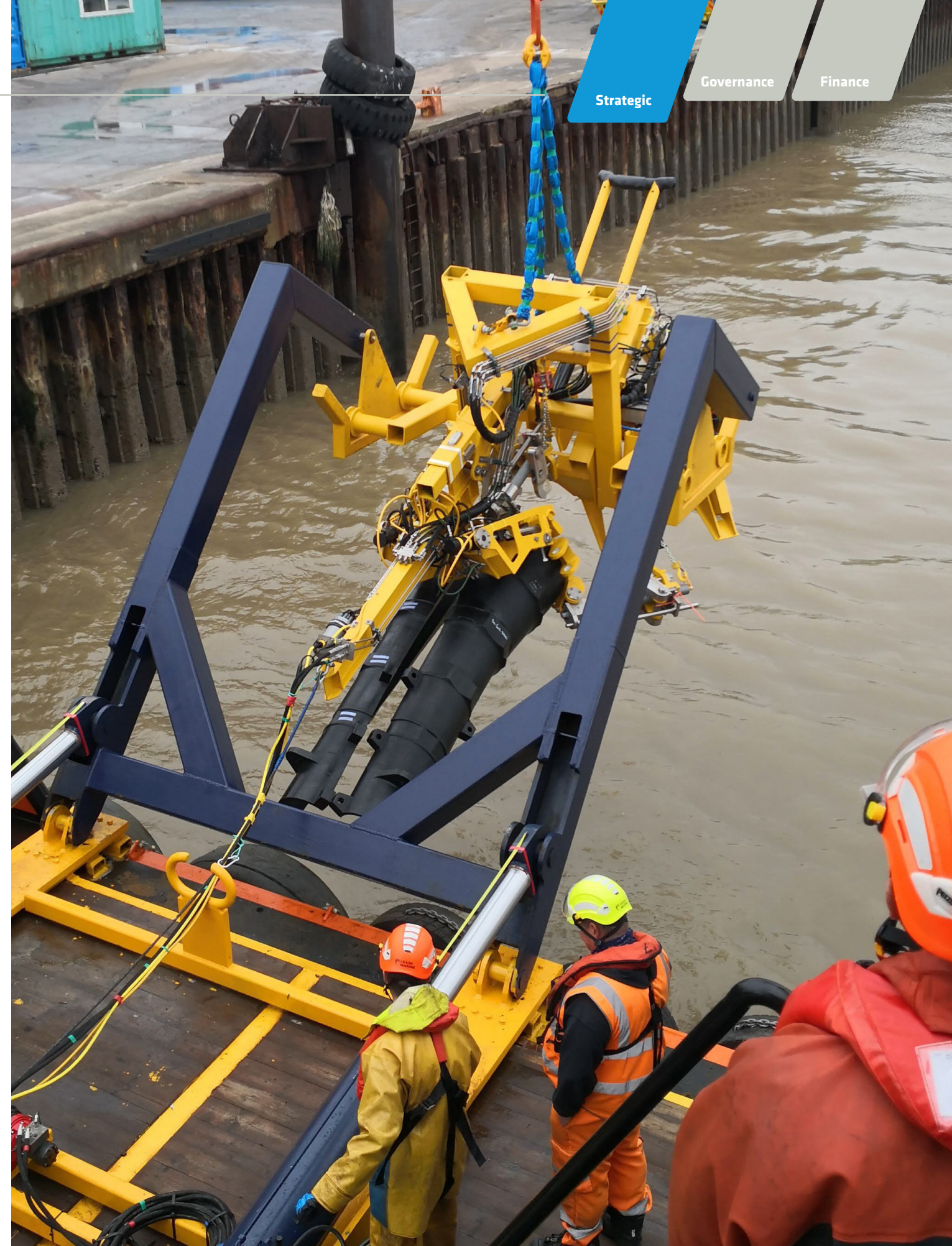
In FY2021 Tekmar delivered its first significant offshore wind O&M project to provide remedial services and technology for an operational offshore wind farm in the UK. The project was awarded by an existing customer who is aware of the Groups unique range of capabilities and expertise following the successful delivery of previous CAPEX and OPEX work packages.

The wind farm had been fully operational for six years when failures were identified across elements of the wind farms subsea infrastructure. If not addressed, a reduction or total loss of generation was likely, with the customer incurring the cost of generation downtime, business interpretation and repair. The customer approached Tekmar to deliver a solution capable of remediating the failures and preventing future occurrences.

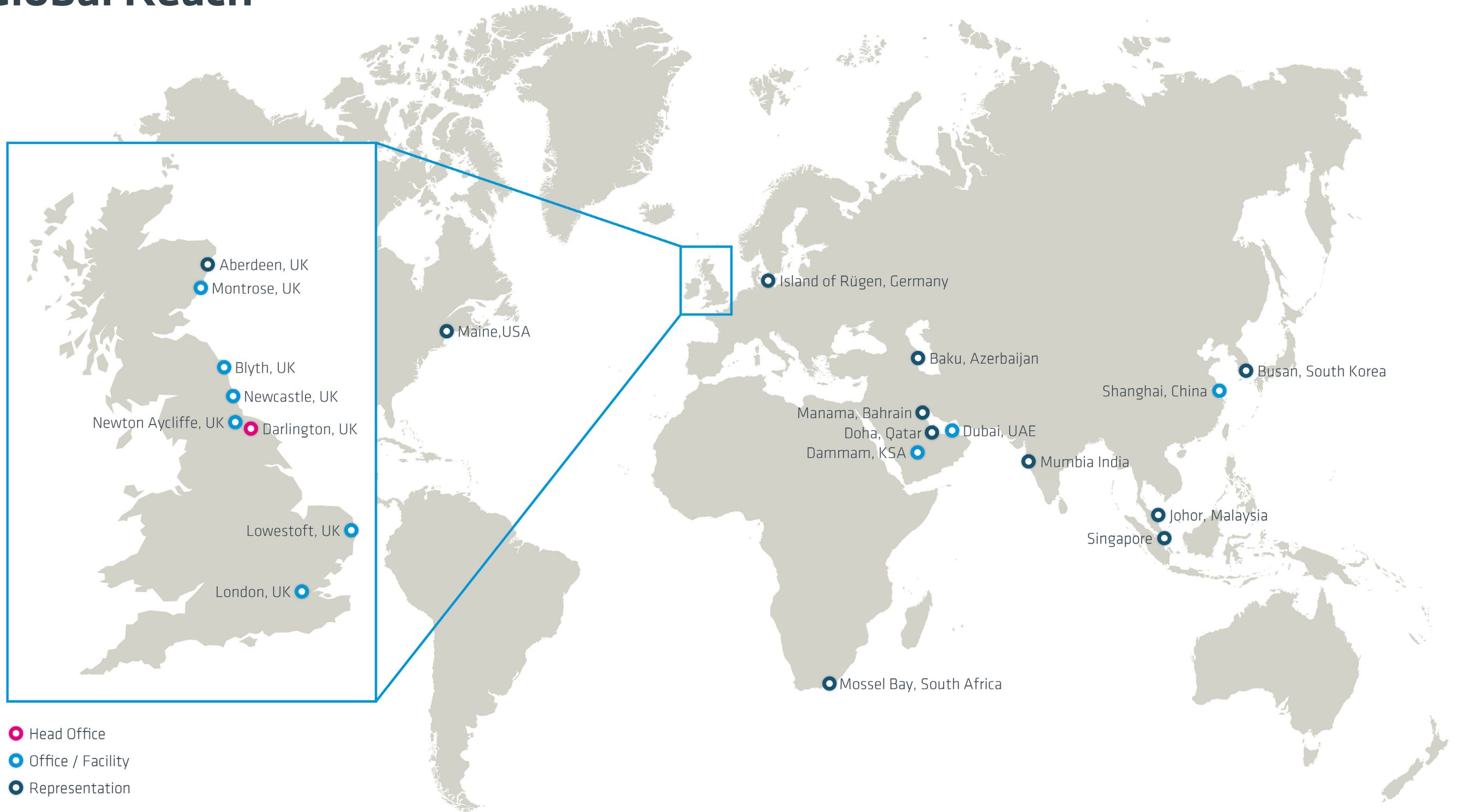
Tekmar applied its engineering expertise to develop a conceptual solution and bring it to realisation. Multiple Group companies worked together to analyse the in situ infrastructure, determine design requirements, conceptual design, engineer, manufacture, deliver, and support the

commissioning of a bespoke remedial solution. The result was a first of its kind, retrofit dynamic bend stiffener clamp that is attached to the subsea infrastructure to reinforce it and maintain its design parameters. Bespoke subsea installation tooling was also developed to reduce deployment time, and reduce diver interaction, thus increasing offshore installation safety.

Following successful trial and testing, the installation tools were installed during 2021 and successfully supported the customer's remedial campaign, with all the clamps installed in a safe and timely manner. We continue our strong play on more disciplined engineering solutions to ensure we are well positioned for future O&M project, and we continue to collaborate with customers to develop both bespoke and standardised solutions for future remedial campaigns.



Global Reach



- Head Office
- Office / Facility
- Representation



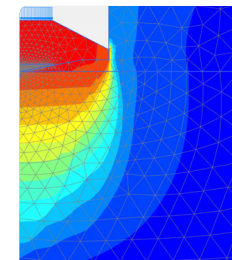
Addressing complex industry problems is in our DNA

We provide a range of engineering services and technologies to support and protect offshore wind farms and other offshore energy assets and marine infrastructure

DEVEX

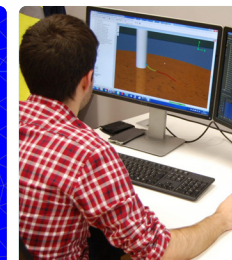
CAPEX

OPEX



Geotechnical Design & Analysis

Detailed site assessment to identify and understand project environmental conditions.



Engineering Analysis & Software Innovation

Advanced analysis of assets to establish installation parameters and operational integrity.



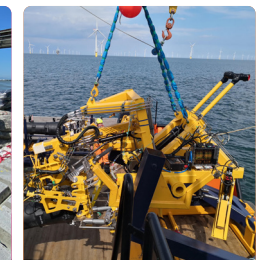
Subsea Protection Technology

Subsea asset protection systems that maintain asset integrity and ensure project operability.



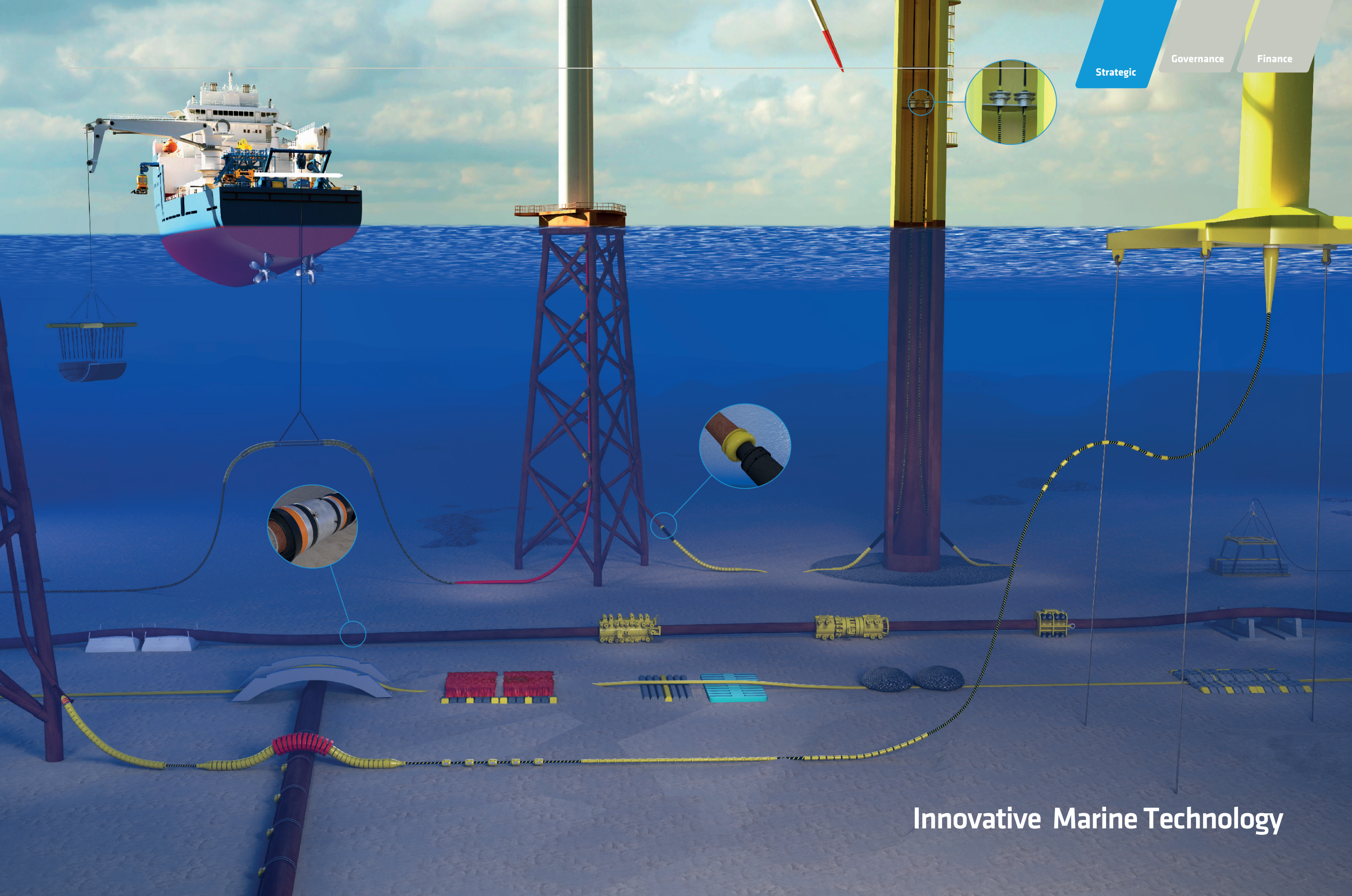
Subsea Stability Technology

Stabilisation and scour protection solutions to protect assets against impact, seabed migration and erosion.



Bespoke Equipment Design & Build

Engineered solutions to overcome complex subsea installation and operational and maintenance requirements.



Innovative Marine Technology

Key Performance Indicators

Identifying and monitoring the key indicators of success in our business

KPI	FY19	FY20	FY21
Enquiry book ⁽¹⁾	£195m	£224m	£327m
Order book ⁽²⁾	£7.2m	£10.0m	£9.7m
Revenue ⁽³⁾	£28.1m	£40.9m	£46.9m
Order intake ⁽⁴⁾	£29.9m	£43.7m	£46.4m
Book to Bill ⁽⁵⁾	1.06	1.07	0.99
Adjusted EBITDA ⁽⁶⁾	£4.8m	£4.7m	£(2.1)m

Market measures

OWF outlook GW	227	216	244
Oil price \$/bbl	\$69.0	\$22.7	\$75

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

⁽²⁾ Order Book is the revenue value for signed contracts with clients. Expected revenue recognition within 6-12 months

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

⁽⁴⁾ Order intake is the value of all orders secured in the period (18m period for FY21)

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

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



Sustainability Report

Inspire our people to deliver and improve our environmental footprint

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

ESG Strategy

Working predominantly in the renewables sector really focusses the business on the impact we are having on the planet, and we are proud holders of the London Stock Exchange's Green Economy Mark. However, we can do more and this year the Board formalised our ESG Strategy, which is aligned to the UN Sustainable Development Goals (UN SDG's) with a goal to make sustainability a natural part of everything we do.

To execute our ESG Strategy we have set up a group-wide ESG Steering Group with employee representatives from all businesses.

We developed a detailed action plan for those areas we can positively impact, whilst also identifying many areas where we are already achieving results, particularly through our People Strategy. Our action plan is organised under the 'four pillars' recommended by the World Economic Forum and International Business Council in their 'Stakeholder Capitalism Metrics' project to align corporate values and strategies with the UN SDG's, being:

- Principles of Governance
- Planet
- People
- Prosperity

Each 'pillar' has a working group to focus on delivering the actions across the Group and we are working through the process of establishing baseline measures, where applicable, from which we can target improvements.

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

People Strategy

As we focus on the further development and enhancement of our people we identified six key areas of activity and structured a 3 year plan to deliver this, underpinned by core HR improvements:

Our strategic aspiration is to create an environment where our people thrive and our performance excels in a collaborative and trusting environment. We support and encourage autonomy, accountability and leadership in order to attract and retain the best talent in our industry. Through continuous development and investment in our people's minds and wellbeing, our high performing culture will drive innovation, diversity and engagement.

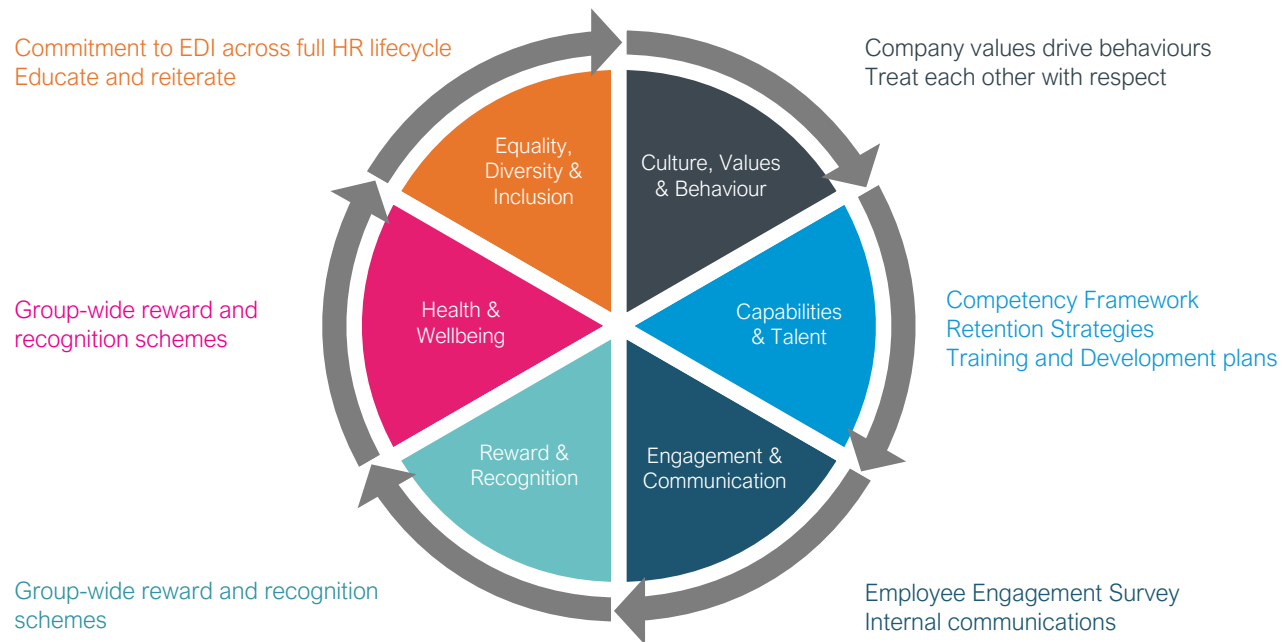
We are collaborating with Sharing in Growth (SIG) through a programme funded by the Offshore Wind Growth Partnership, targeting productivity improvements for the UK offshore wind supply chain. The SIG team are working with our senior team to drive our strategic execution plan, shape our culture and achieve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

This supports the work we are doing internally to simplify our structure and develop more effective processes to improve productivity, encourage accountability and improve decision making and communication. We already have combined group support services and are now bringing together the other functional teams, starting with the Engineering Team under the lead of Dave Thompson, Group Engineering Director.

Local Communities

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

UN SDG's	Key activities to date	Key objectives
3 GOOD HEALTH AND WELL-BEING 	Ensure healthy lives and promote well-being for all at all ages <ul style="list-style-type: none"> • 18 Mental First Aiders appointed • 2021 Health & Wellbeing campaign • Annual Flu vaccinations for all • Employee Assistance Programme 	<ul style="list-style-type: none"> • 2022 Health & Wellbeing campaign • Advanced driving courses • Cycle to work scheme • Volunteering/charity support
4 QUALITY EDUCATION 	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all <ul style="list-style-type: none"> • Professional development (MBA's etc.) • Personal Development Plans 	<ul style="list-style-type: none"> • Launch graduate & apprenticeship programmes
5 GENDER EQUALITY 	Achieve gender equality and empower all women and girls <ul style="list-style-type: none"> • Review of Maternity / Paternity Leave policy 	<ul style="list-style-type: none"> • Gender pay gap to be reported • Target recruitment of women into senior roles • Engagement in local communities/schools to encourage girls into our industry
8 DECENT WORK AND ECONOMIC GROWTH 	Promote inclusive and sustainable economic growth, employment and decent work for all <ul style="list-style-type: none"> • Aligning pay grades across all businesses • Employee engagement surveys providing feedback on workplace improvements 	<ul style="list-style-type: none"> • Engagement in local communities/schools to encourage youth into our industry • Ensure all suppliers adhere to good human rights policies
10 REDUCED INEQUALITIES 	Reduce inequality within and among countries <ul style="list-style-type: none"> • Online EDI training for all employees • Employee gender reporting by team 	<ul style="list-style-type: none"> • Launch EDI policy • Introduce diversity targets • Group Values • Behavioural Code
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	Ensure sustainable consumption and production patterns <ul style="list-style-type: none"> • Energy consumption monitoring • Recycling • Waste monitoring 	<ul style="list-style-type: none"> • Target reduced energy consumption • Expand recycling processes • Targeted waste reduction • Sustainable supply chain
14 LIFE BELOW WATER 	Conserve and sustainably use the oceans, seas and marine resources <ul style="list-style-type: none"> • R&D into environmental Precision Rock Placement product (Pipeshield) 	<ul style="list-style-type: none"> • Improve the environmental impact of our products subsea • Innovation focus to support expansion of renewable energy



Local Communities

We also launched our Health and Wellbeing calendar for 2021 which included a number of initiatives that benefited our people and their families and friends. To date we have delivered campaigns on topics such as stress, mental health, menopause, cancer and healthy habits, offering live speaker events, workshops and webinars. We enjoyed some inspirational cooking tips from our collaboration with Quorn and completed our 5,000 mile charity challenge earlier in the year.

Customers and Suppliers

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

Safety

We endeavour to create a safe workplace for our people and all those that we work with. We have a safety-first policy, ensuring that everyone takes equal responsibility and ownership for their own and others safety. We pride ourselves on our transparent and honest reporting culture through which we aim to achieve a 'zero' Lost Time Incident goal.

Good business conduct

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

Respect for Human Rights

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

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

Supply Chain

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

ISO Standards

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

Principal Risks and uncertainties

The principal risks and uncertainties of the group are disclosed on page 54.

Derek Bulmer

Chief Financial Officer & Company Secretary

Tekmar Group plc
 Innovation House
 Centurion Way
 Darlington
 DL3 0UP

Registered number: 11383143
 24 February 2022

Governance

Message from the Chairman

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

Our corporate governance covers the way that we behave with each other and how we interact with our wider stakeholders – including customers, suppliers, shareholders, employees and the communities around us. We have provided more detail on these areas in our Sustainability Report and in other areas of this report. We strive to create a culture at Tekmar based on the highest ethical standards as this is fundamental to the Group's success.

The Directors acknowledge the value of high standards of corporate governance and adopt and comply with the QCA Corporate Governance Code which is an effective and flexible governance model for the Group. Our Corporate Governance Statement (overleaf and on our website) provides more detail.

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

The Board delegates some duties and responsibilities to representative committees, Audit, Remuneration and

Nomination, each having agreed terms of reference and a process for making recommendations to the Board. Details of the activities for each of the committees are included in this governance section of the Annual Report.

The Executive team have the appropriate delegated authorities from the Board to ensure the right decision-making takes place across the business and that the right controls are embedded into these processes. They are responsible for the day-to-day management of the Group and driving the execution of our strategy.

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

Julian Brown
Non-Executive Chair



Corporate Governance Statement

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

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

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

Double Tekmar's revenue within 5 years through organic growth and complement this growth through targeted M&A:

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

The key focus areas within our growth strategy:

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

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

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

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

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

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

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

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

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

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

The Board appreciates the need to maintain effective working relationships across a wide range of stakeholders, including investors, employees, partners

and local communities. Our ESG Strategy will continue to evolve as we respond to feedback from our wider stakeholders and actions taken as a result seen as an essential part of ensuring long term success.

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

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

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

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

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

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

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

In line with QCA guidance, three of the Non-Executive

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

The Company Directors are:

- Julian Brown, Independent Non-Executive Chairman
- Christopher Gill, Senior Independent Non-Executive Director
- Ian Ritchey, Independent Non-Executive Director
- Alasdair MacDonald, Chief Executive Officer
- Derek Bulmer, Chief Financial Officer

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

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

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

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

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

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

- Julian Brown minimum time commitment of four or five days per month

- Christopher Gill minimum time commitment of two or three days per month
- Ian Ritchey minimum time commitment of two or 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 confident that its members have an appropriate balance of backgrounds, skills and knowledge in order to deliver on its core objectives. The members of the Board have particular experience in offshore energy; engineering; manufacturing; operations and finance, covering both private and public companies.

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

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

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

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

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

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

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

individual Directors, including the Chairman, in respect of these objectives.

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

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

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

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

- Work Together - We foster teamwork without boundaries, to ensure the best results are delivered in an environment where people feel empowered, safe, trusted, confident and inspired to develop
- Do Things Right - We take a united approach towards Safety, Quality and Delivery. We lead by example and constantly find ways to raise standards. We challenge the norm and have courage to stand up for what is right
- Break the boundaries - We collaborate with our customers and constantly look for ways to develop our technology and services to make today's impossible tomorrow's deliverable

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

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

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

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

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

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

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

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

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

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

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

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

Board of Directors



Julian Brown
Independent
Non-Executive Chair

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



Alasdair MacDonald
Chief Executive Officer

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



Derek Bulmer
Chief Financial Officer

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



Christopher Gill
Senior 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 subsea engineering business, and Senior Independent Director and Audit Committee Chairman of AIM quoted Stadium Group plc.



Ian Ritchey
Independent
Non-Executive Director

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

- Remuneration committee
- Nomination committee
- Audit committee

Key Management



Fraser Gibson
Managing Director
AgileTek Engineering

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 16 years. Fraser spent time at UTEC Geomarine, progressing from Senior Engineer to Principal Engineer and then to Regional Manager for APAC where Fraser spent 2 years in Singapore establishing an office for UTEC Geomarine in the region, before later setting up Ryder Geotechnical in 2016.



Dave Thompson
Managing Director Subsea
& Group Engineering Director

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



Steve Howlett
Managing Director
Pipeshield International

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



Marc Bell
Managing Director
Tekmar Energy

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



Angela Lock
General Manager
Tekmar Energy

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



Jim Pearson
Group In-house
Legal Counsel

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



Gary Howland
Group Sales Director
Tekmar Group

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



Leanne Wilkinson
Finance Director
Tekmar Energy

Leanne is a CIMA qualified accountant with over 20 years' experience as a senior finance professional and business leader. Prior to joining Tekmar in 2020, Leanne previously worked in manufacturing and technology sectors and has experience of business change, transformation and integration.



Tom Howard
Group Marketing Manager
Tekmar Group

Tom has over 14 years' marketing and business development experience in the offshore energy sector. Having previously worked for one of Tekmar's customers, Tom has an extensive knowledge of the industry and a strong understanding of the group's markets, products and stakeholders. Tom joined Tekmar Group in 2019 and is responsible for marketing and communications across the business.

Risk Management

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

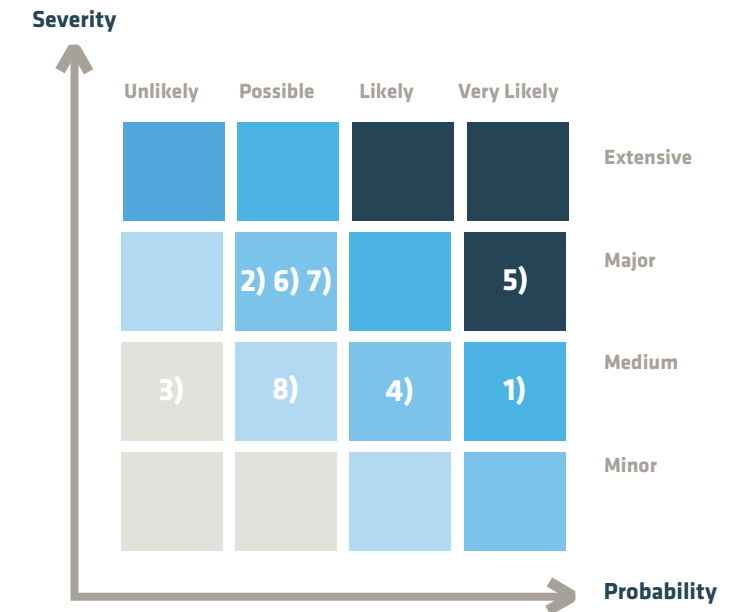
The Board has overall responsibility for setting the course for the Group’s risk management objectives and policies. Working within the offshore energy industry, managing risk is integral to our business and we continuously review our policies, procedures and behaviours to mitigate our risks and reduce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



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





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




Risk Type:

-  **Strategic**
-  **Financial**
-  **Operational**
-  **Compliance**



Risk	Risk Type	Description	Impact	Mitigation	Evaluation
1)	 	<p>Brexit: There continues to be significant uncertainties in relation to the terms within which the UK has exited the EU and to what the impact will be on the fiscal, monetary and regulatory landscape in the UK.</p> <p>COVID-19: there continues to be considerable impact of the COVID-19 pandemic, both on the economy and the population. A significant, longer term downturn in the wider economy could impact on the opportunities available to the Group. However, there could also be opportunity here, should world governments seek to stimulate economies through increasing public spending on energy infrastructure, and particularly renewables.</p>	The overall trading conditions for the company and environment in which we operate.	<p>Brexit is closely monitored by the business, and any potential changes are planned and prepared.</p> <p>The business has reacted positively to the challenges presented by COVID-19, with regular meetings of the senior management team determining our response and regular communication made to our valued employees. The business continues to monitor the challenges presented by COVID-19 and will continue to undertake its business practices in-line with the appropriate government guidance.</p>	No change.

Risk	Risk Type	Description	Impact	Mitigation	Evaluation
2)		<p>IT systems are vital to the operations of the Group. Failure to adequately invest in and maintain the Group's systems could lead to the loss or theft of sensitive data or compromise the Group's ability to effectively carry out operations.</p>	<p>Systems failures could lead to an inability to meet customers' needs and lead to reputational damage. The loss of sensitive information could lead to significant damage with an associated risk of fines.</p>	<p>The Group predominantly outsources provision of IT services to a suitably qualified third-party, whose competence and service are regularly reviewed. This is supplemented by in-house resource to focus on effective and consistent IT systems and processes across the Group. Regular staff training is offered or mandated, depending upon the nature of the training, to ensure that all staff maintain awareness of their responsibilities with respects to IT security, with particular focus on cyber-security.</p>	<p>No change.</p>
3)		<p>Linked to Macroeconomic environment, access to capital is a significant factor in our plans to grow the business. There is uncertainty in relation to how, when and to what extent developments will impact on the markets we operate in, the wider economy, levels of investor activity and confidence and exchange rates.</p>	<p>Without access to sufficient finance the company may struggle to undertake all aspects of its growth plan, such as the acquisition strategy and accelerated growth.</p>	<p>The business has ongoing relationships with banks and other financial institutions that offer the required level of support. The Group has strengthened its cash position with the extension on banking facilities. Cash flow forecasts are updated and discussed regularly, with analysis prepared at both a subsidiary and Group level. As noted in the basis of preparation of the financial statements on page 88, there is a risk that bank facilities are not renewed. The business has a strong relationship with Barclays and as a result management are confident that bank facilities will continue to be available to the group for the foreseeable future.</p>	<p>No change.</p>
4)		<p>The project-based, contractual nature of the Group's business, coupled with its concentrated customer base, leads to a revenue profile that is inherently uneven over the year. Most contract awards and associated revenues are dependent on large capital projects within the energy sector, the timing of which is out of the business' control.</p>	<p>There is an associated risk that the fulfilment of any contract, together with its revenue, may fall outside the financial period that was originally forecast. This, in turn, may have a material adverse impact on the Group's reported financial performance for the specific period.</p>	<p>The business has produced a 5-year strategic plan that includes an assessment on project timing and the revenue streams macro climate. The wider Group portfolio offers a mix of project timings due to new markets and regions.</p>	<p>No change.</p>
5)		<p>The risk of new competitors leading to a reduction in pricing. Design changes could lead to technology obsolescence and subsequently reduced volume of sales.</p>	<p>Reduced volume of sales. Increase in capital expenditure to develop new products. Resulting in a reduction in the Group's financial performance.</p>	<p>The business undergoes a detailed technology readiness level (TRL) programme when developing new products, which includes an assessment of competition and what our ultimate value proposition would be. Significant investment is made in the continuous development of existing products to ensure they keep pace with current market trends. Our more diversified product portfolio allows us to offer a unique proposition to customers.</p>	<p>Increased: there are industry challenges that need revised technology solutions.</p>

Risk	Risk Type	Description	Impact	Mitigation	Evaluation
6)		<p>The business may fail to attract, develop and retain key individuals with the skillsets required to maintain a successful business and culture, particularly within engineering and leadership.</p>	<p>A major impact on Tekmar's ability to fulfil its contractual obligations. Adverse impact on the future growth aspirations for the Group.</p>	<p>Key KPI's are reviewed monthly by the Executive and Board. In addition the People Strategy has been developed to focus on the retention and development of talent. Annual appraisal assessments are undertaken and a skills matrix and succession plan developed from this, including risk mitigation plans. Annual review of remuneration and benefits to ensure we are consistent across the Group and are competitive in the relevant region. Executives and senior management incentive plan in place. Regular pulse surveys to invite feedback on a range of issues over the period.</p>	<p>No change.</p>
7)		<p>The Group enters contracts that contain terms that, in some cases, contain wide reaching indemnities and warranties. These terms are commonplace in the subsea industry and do not unfairly prejudice the Group, nor do they put the Group in a materially worse position than its competitors. These warranties and indemnities lead to an inherent risk that the Group's liability for any breach could be extensive, especially if these are given on an uncapped basis.</p>	<p>A major impact on the business' ability to fulfil its contractual obligations. Adverse impact on the future growth strategy for the business.</p>	<p>Contracts are reviewed extensively prior to signing, and the likelihood of risks assessed by legal and technical teams. Uncapped liabilities are kept to a minimum and only agreed to for areas of the contract that Directors believe are very low risk. Where possible the Group insures against risks to minimise the potential financial impact. There is a strong focus across the Group on high quality project execution which is regularly reviewed under independent ISO certification where appropriate.</p>	<p>No change.</p>
8)		<p>Price Risk: The Group's key products are reliant on key components including Polyurethane (PU), Cast Iron and concrete. There is an inherent risk that price increases outside of Group's control can have an impact of the trading conditions and environment in which the Group operates.</p> <p>Credit Risk: The ability of the Group along with its key stakeholders, customers and suppliers to avoid default on credit is key to future growth strategy of the business.</p>	<p>Without access to sufficient finance the company may struggle to undertake all aspects of its growth plan, such as the acquisition strategy and accelerated growth.</p>	<p>The business has ongoing relationships with banks and other financial institutions that offer the required level of support. The Group has strengthened its cash position with the extension on banking facilities. Cash flow forecasts are updated and discussed regularly, with analysis prepared at both a subsidiary and Group level. Enhanced due diligence is undertaken at the contracting stage to understand the price impacts of a particular contract, detailed financial project reviews are undertaken with multiple key suppliers underpinning the core of the Group's supply chain.</p>	<p>No change.</p>

Audit Committee Report

Chris Gill, Chair of the Audit Committee

Please find the Audit Committee Report for the period ended 30 September 2021. The Committee comprises Julian Brown, our Non-Executive Chairman and myself as Chair. As a chartered accountant I bring the relevant financial experience in this role and am in my third year as Audit Chair for the Company.

Responsibilities

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

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

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

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

External auditor

The Audit Committee recommended to the Board the appointment of a new external auditor this year and a formal Audit Tender process commenced in February 2021. We requested the CFO, Sue Hurst, to research the market in order to table companies that could offer the appropriate audit services and we developed a Selection Criteria against which to review the short list.

Four audit firms were invited to tender and the timetable was developed to ensure the CEO, CFO and Audit Committee reviewed each company separately and the prospective auditors had plenty of access the Company in order to develop their proposals.

Following a detailed review process, Sue and I agreed on the recommendation to appoint Grant Thornton LLP UK LLP (GT) as the Group's new external auditors for

the current period. A detailed Report to the Board was produced supporting this recommendation and the Board approved the recommendation of the Audit Committee.

The formal resignation of KPMG and appointment of Grant Thornton took place in August 2021 and was announced to shareholders via RNS. KPMG resigned by notice to the Group under section 516 of the Companies Act 2006 and has confirmed that there were no matters connected with their resignation which they consider need to be brought to the attention of the members or creditors of the Group for the purposes of section 519 of the Companies Act 2006. Any proposal to re-appoint GT in respect of the financial year beginning 01 October 2021 will be subject to shareholder approval at the next AGM.

The Audit Committee monitors the relationship with the external auditor, Grant Thornton UK LLP, to ensure that auditor independence and objectivity are maintained. As part of its review, the Audit Committee monitors the provision of non-audit services by the external auditor. The breakdown of fees between audit and non-audit services in the two periods ended 30 September 2021 is provided in note 8 of the Group's financial statements. There were non-audit services provided by the current external auditor to the Group during the 2021 period of £34k. These fees are considered to be a low value and therefore do not impact on the auditors independence.

Significant issues considered in relation to the financial statements

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

- **The revenue cycle included fraudulent transactions** – there are two types of revenue that require management judgement, being revenue recognised over time and revenue recognised at a point in time. The significant risk relates to the assessment of the cut-off for those contracts spanning the period end

- **Impairment of goodwill and intangible assets** – there is a significant risk regarding the valuation of intangible assets including goodwill, which are based on management's assessment and assumptions in the annual impairment review
- **Going concern** – assessed by the regulators as a heightened risk in the current environment with the impact of COVID-19 on the businesses
- **Valuation of investments in subsidiaries** – this risk associated with valuation of subsidiaries is increased by the uncertainty caused by the COVID-19 pandemic
- **Management override of controls** – this is a non-rebuttable presumed risk for all companies and is reviewed for all companies in the Group

As Chair of the Audit Committee I am satisfied that the Audit Committee Report covers the activities of the Committee over the period to 30 September 2021 along with the subsequent audit of the financial statements.

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

Chris Gill
Chair of the Audit Committee

Remuneration Committee Report

Julian Brown, Chair of the Remuneration Committee

I present the Directors' Remuneration Report for the period ended 30 September 2021. I chair the Remuneration Committee and am joined by Chris Gill, Senior Independent Non-Executive Director. The report provides shareholders with details regarding our directors' remuneration policy and the impact of this on executive remuneration outcomes in the period, along with how this links to the Group's financial performance.

Responsibilities

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

The remuneration of non-executive directors is a matter for the Chairman of the Board along with the executive members, not this Remuneration Committee, and no director or manager is involved in any decisions as to his or her own remuneration.

Executive Incentive Plan (EIP)

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

Targets for the CEO and CFO are based on Earnings per Share and the remaining executive management team are based on Earnings Before Interest & Tax and Cash Generation.

Employee remuneration

Free Shares and Annual Pay Review

Due to the trading performance of the Group in the period, combined with moving the year end, the discretionary annual inflationary pay rise did not take place as usual in April 2021. In recognition of the hard work and loyalty of our people during the last eighteen months, in August 2021 we awarded £750 of Free Shares to all eligible staff through the Tekmar Group plc Employee Share Incentive Plan (SIP). This amounted to 241,376 new ordinary shares being issued and are held by Equiniti Share Plan Trustees Limited. We have now confirmed an inflationary award of 2% to all eligible staff from 1 October 2021.

Sharesave Plan 2021 (SAYE)

Following the success of our first Sharesave plan in 2020 we launched our second plan in March 2021. The scheme was again open to all employees subject to a qualifying service period. A total of 20 employees subscribed to 197,452 share options over a period of three years.

Group Remuneration Policy

The key components of the remuneration policy are:

	Why	How
Basic annual salary	To attract and retain the right talent reflecting 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 continues to contribute 5% to employees' pensions
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 financial targets, to support the Group's growth strategy
Share schemes	Share ownership is an important part of employee incentivisation and retention	All employee SIP and SAYE Plans and LTIPs for executive management

Remuneration of the Board

The Remuneration Committee reviewed the market rates in considering the appointments of the CEO and CFO during the period, along with the non-executive director roles, and confirm they remain in line with appropriate benchmarks.

Name of Director	Basic salary / fees	Benefits	Bonus	Pension	FY21 Total	FY20 Total
	£000	£000	£000	£000	£000	£000
Ally MacDonald	250	-	50 ⁽¹⁾	-	300	70
Derek Bulmer ⁽⁵⁾	61	-	-	1	62	-
Julian Brown	77	-	-	3	80	37
Chris Gill	63	-	-	-	63	45
Ian Ritchey ⁽²⁾	19	-	-	1	20	-
James Ritchie ⁽³⁾	170	-	-	4	174	214
Sue Hurst	217	-	115 ⁽⁴⁾	11	343	150

⁽¹⁾ a guaranteed advance bonus payment of £50,000 in recognition/compensation for Ally's prompt departure from his previous Executive role, including lost remuneration/notice

⁽²⁾ Part year only – appointed 22 March 2021

⁽³⁾ Part year only – leaver 03 August 2020

⁽⁴⁾ Retention bonus and termination payment to Sue Hurst prior to her leaving on 30 November 2021

⁽⁵⁾ Part year only – appointed 01 June 2021

IPO Options

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

IPO options	Share options b/fwd.	Options lapsed - employment	Options exercised	Remaining options
James Ritchie	225,000	(225,000)	-	-
Sue Hurst	87,500	-	-	87,500
Russell Edmondson	31,250	-	(31,250)	-
Jack Simpson	31,250	-	(31,250)	-
Steve Rossiter	31,250	-	-	31,250

Retention Plan

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

IPO options	Options granted	Options lapsed - employment	Options exercised	Remaining options
Ally MacDonald	17,073	-	-	17,073
Sue Hurst	43,042	(43,042)	-	-
Russell Edmondson	43,042	-	(43,042)	-
Jack Simpson	53,802	(53,802)	-	-
Steve Rossiter	32,281	(32,281)	-	-
Dave Thompson	10,760	-	-	10,760

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

LTIPs

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

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

Due to the reduced financial performance for the Group, along with the extended eighteen period the Board reviewed the Executive Incentive Plan and in June 2021 the Board agreed that the performance conditions for the FY21 scheme could not be met and the options immediately lapsed.

The Executive Team tabled a detailed Strategic Plan which the Board approved and was presented to shareholders at the Capital Markets Day in July 2021. The table below shows the activity in the period in relation to LTIPs including the position at the period end, showing those options lapsing due to performance conditions not being met (FY21 LTIPs) and those lapsing due to the employment conditions not being met.

IPO options	Options granted	Options lapsed - employment	Options exercised	Remaining options
Sue Hurst	360,750	-	(360,750)	-
Russell Edmondson	182,112	-	(182,112)	-
Jack Simpson	144,172	-	(144,172)	-
Steve Rossiter	151,760	-	(151,760)	-
Fraser Gibson	136,585	-	-	136,585
Dave Thompson	182,112	-	-	182,112
Marc Bell	51,086	-	-	51,086
Leanne Wilkinson	45,977	-	-	45,977
Other	39,456	-	(39,456)	-

The Board recognises the need to ensure the executive management team remain incentivised going forward and will be confirming revised arrangements under the FY23 LTIP as well as launching the FY24 LTIP once clear of the financial closed period. This will include the arrangements for the current CEO and CFO who have been appointed in the period.

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

Julian Brown
Chair of the Remuneration Committee

Nomination Committee Report

Julian Brown, Chair of the Nomination Committee

I present the Nomination Committee Report for the eighteen month period ended 30 September 2021. The Committee comprises Chris Gill who is our Senior Independent Non-Executive Director and myself as Chair.

Responsibilities

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

There have been a number of changes to the Board this year and I provide more detail as to the Nomination Committee's involvement and process below.

Chief Executive Officer – August 2020

The former Chief Executive Officer (CEO), James Ritchie, informed the Board of his intention to leave the business and formerly resigned as CEO, stepping down from the Board on 3rd August 2020. Alasdair Macdonald ("Ally"), the Non-Executive Chairman at the time, assumed the role of Executive Chairman with immediate effect and a formal process to recruit and appoint a new CEO commenced.

The Nomination Committee met to agree the candidate specification and the recruitment process to be followed. As Ally declared his interest in the role he immediately stepped down as Chair of the Nomination Committee and I took over. The key aspects of the ideal candidate were identified and we appointed an external recruitment firm to support us in the selection process. The role was advertised and we received 140 applications. Of these, 60 individuals were contacted with 15 progressing to screening interviews by the recruiter. A long-list of 9 candidates were reviewed by the Nomination Committee and 5 were shortlisted for interview.

The Nomination Committee conducted the interviews in early October, supported by the Group HR Manager. Following a detailed review I invited Ally to a final interview to discuss his candidacy and hear what his recommendations were for the business, following his few months in his executive post. We concluded that Ally was the strongest candidate for the role with relevant experience, skills, motivation, and prior knowledge of the business and its markets. Ally is also positioned to start immediately and has a clear grasp of the immediate

challenges and opportunities faced by the business.

The Nomination Committee recommended appointing Ally MacDonald to the role of CEO and appoint Julian Brown to the role of Non-Executive Chairman, replacing Ally. The Board approved these recommendations.

Non-Executive Director – March 2021

Following the above appointments there was a need to add a Non-Executive Director to the Board, to ensure the overall independence of the Board was maintained. The Nomination Committee reviewed various candidates which culminated in the selection of Ian Ritchey in March 2021. Ian has nearly 30 years' experience in the engineering industry and previously held senior with Rolls Royce for over 20 years. Following our recommendation, Ian met with all members of the Board, who were in agreement that he is a strong candidate that will enhance the strength of the Board.

The Nomination Committee recommended appointing Ian Ritchey to the role of Non-Executive Director. The Board approved this recommendation.

Chief Financial Officer – June 2021

As part of our regular succession planning activities Sue Hurst indicated to the Board her plan to resign from the role of Chief Financial Officer this year, following nine years with the business. We quickly identified an excellent candidate, Derek Bulmer, who was interviewed by all board members and appropriate advisors. As Derek was available, the Nomination Committee recommended appointing him to the role immediately, with the advantage of being supported by Sue during her 6-month notice period.

The Nomination Committee recommended appointing Derek Bulmer to the role of Chief Financial Officer. The Board approved this recommendation.

I trust that this clearly explains the approach and activities of the Nomination Committee, particularly in a year of significant change to the Board. I am confident that the process we follow allows us to find the best candidates for the Group and that the Board moves forward with the right skills and experience to deliver shareholder value.

Julian Brown
Chair of the Nomination Committee

Directors' Report

for the year ended 30 September 2021

The Directors present their report together with the audited Group financial statements of the Parent Company ('the Company') and the Group for the period ended 30 September 2021.

Directors

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

- Alasdair Macdonald
- Derek Bulmer (Appointed 1st June 2021)
- Julian Brown
- Christopher Gill
- Ian Ritchey (Appointed 22nd March 2021)
- Susan Hurst (Resigned 30th November 2021)
- James Ritchie Bland (Resigned 3rd August 2020)

Business review and future developments

The information that fulfils the requirements of the strategic report and business review, including details of the results for the year ended 30 September 2021, principal risks and uncertainties, research and development, financial KPIs and the outlook for future years, are set out in the Chairman's Statement and Chief Executive Officer's and Chief Financial Officer's Reviews.

Going Concern

The Group meets its day-to-day working capital requirements through its available banking facilities which includes a CBILs loan of £3.0m currently available to 31 October 2022 and a trade loan facility of up to £4.0m that can be drawn against supplier payments, currently available to 30 November 2022. The latter is provided with support from UKEF due to the nature of the business activities both in renewable energies and in driving growth through export lead opportunities. The Group held £3.5m of cash at 30 September 2021 including full draw down of the £3.0m CBILs loan and a further £3.0m of the trade loan facility. There are no financial covenants that the Group must adhere to in either of the bank facilities.

The Directors have prepared cash flow forecasts to 30 September 2023. The base case forecasts include assumptions for annual revenue growth supported by current order book, known tender pipeline, and by publicly available market predictions for the sector. The forecasts also assume a retention of the costs base of

the business with inflationary increases of 2% on salaries and a cautious recovery of gross margin on contracts. These forecasts show that the Group is expected to have a sufficient level of financial resources available to continue to operate on the assumption that the two facilities described are renewed.

Given the planned recovery of the Group from the impacts of the COVID-19 pandemic and recognising the significant market opportunity for growth in the market for off-shore energy, the Directors have sensitised their base case forecasts for a severe but plausible downside impact. This sensitivity includes reducing revenue by 15% for the year to 30 September 2023, including the loss or delay of a certain level of contracts in the pipeline that form the base case forecast, and a 15% increase in costs across the Group as a whole for the same period. The base case forecast also includes discretionary spend on capital outlay which has been withheld in the sensitised case. In addition, the directors note there is further discretionary spend within their control which could be cut, if necessary, although this has not been modelled in the sensitised case given the headroom already available. These sensitivities have been modelled to give the Directors comfort in adopting the going concern basis of preparation for these financial statements. Further to this, a 'reverse stress test' was performed to determine at what point there would be a break in the model.

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

Facilities

Within both the base case and severe but plausible case, management have assumed the renewal of both the

Major shareholders

As at 20 January 2022 the following interests of shareholders in excess of 3% have been notified to the Company:

	Number of ordinary shares	Ordinary shares as a % of issued share capital
Schroders plc	8,276,872	16.00%
J O Hambro Capital Management Limited	4,400,000	8.51%
BGF Investment Management Limited	3,955,000	7.65%
Columbia Threadneedle Investments	3,154,366	6.10%
Sarasin & Partners	3,100,100	5.99%
Moneta Asset Management	2,190,000	4.23%

CBILs loan and trade loan facility in November 2022. In the unlikely case that the facilities are not renewed, the group would aim to take a number of coordinated actions designed to avoid the cash deficit that would arise.

The directors are confident, based upon the communications with the team at Barclays, the historical strong relationship and recent bank facility renewal in November 2021, that these facilities will be renewed and will be available for the foreseeable future.

However, as the renewal of the two facilities in October and November 2022 are yet to be formally agreed and the Group's forecasts rely on their renewal, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern.

Dividends

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

Directors and their interests

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

Ordinary shares of 1p each	30 Sep 2021	31 Mar 2020
A MacDonald	509,526	434,526
S Hurst	276,569	276,569
C Gill	19,230	19,230
J Brown	19,230	19,230

Note - the table above shows only directors that have an interest in the Group in the period.

There have been no changes to the above shareholdings since the period end, with the exception of S Hurst who has exercised options over 87,500 shares. Further details of the Directors' interests can be found in the Remuneration Committee Report.

Directors' indemnities

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

Streamline energy and carbon reporting (SECR)

The Group is classed as large under the Companies Act 2006 and therefore falls under the scope of the Streamlined Energy & Carbon Reporting (SECR) requirements. The Group is exempt from disclosure related to SECR as no individual UK registered subsidiary is a large company and the parent company itself consumes less than 40,000 KWH of energy per year.

Relations with stakeholders

The Group considers its key stakeholders to be its shareholders, employees and customers and suppliers. How the Group engages with these and broader stakeholders is described in the s172 statement on page 71.

Takeover Directive requirements

The Company has one class of equity share, namely 1p ordinary shares. The shares have equal voting rights and there are no special rights or restrictions attaching to any of them or their transfer to other persons.

The rights and obligations attaching to these shares are governed by the Companies Act 2006 and the Company's Articles.

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

Notice of Annual General Meeting

The Annual General Meeting will be held at 10am on 29 March 2022 at Innovation House, Centurion Way, Darlington, DL3 0UP. 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 30 September 2021 and the publication of these financial statements.

Independent auditor

The auditor, Grant Thornton UK LLP, has been appointed and a resolution concerning their appointment will be proposed at the AGM. So far as each of the Directors is aware at the time this report is approved:

- 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.

Derek Bulmer

Chief Financial Officer & Company Secretary

Tekmar Group plc
Innovation House
Centurion Way
Darlington
DL3 0UP

Registered number: 11383143
24 February 2022

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 Accounting Standards in Conformity with Companies Act 2006 (IFRS's) and applicable law and they have elected to prepare the Parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

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

Derek Bulmer
Company Secretary

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Independent Auditor's Report to the members of Tekmar Group plc



Our opinion on the financial statements is unmodified

We have audited the financial statements of Tekmar Group plc (the 'parent company') and its subsidiaries (the 'group') for the period ended 30 September 2021, 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2021 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to the going concern note in Note 2(b) in the financial statements, which indicates that at the reporting date, the group meets its day-to-day working capital requirements through reliance on its available banking facilities which includes a CBILs loan of £3.0m currently available to 31 October 2022 and a trade loan facility of up to £4.0m that can be drawn against supplier payments, currently available to 30 November 2022.

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

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

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

The existence of a material uncertainty related to going concern was assessed as a matter that was one of the most significant assessed risks of material misstatement due to the uncertainty of the renewal of key debt facilities, and in particular on its ability to continue as a going concern for the foreseeable future, as defined in IAS 1, Presentation of Financial Statements. Due to the ongoing COVID-19 pandemic, there is also more judgement applied in developing cash flow forecasts.

Management performed an assessment of the group's ability to continue as a going concern, which included modelling a base case scenario, a severe but plausible case scenario and performing a reverse stress test.

The assumptions selected by management in preparing these assessments required the application of significant management judgement, in particular, in the estimation of future contract wins and the timing of related cashflows. Management have also assessed the likelihood of the facilities being renewed and discussed this with the lenders.

This, in turn, required us to exercise significant auditor judgement when evaluating the assumptions used by management in preparing the scenarios and in concluding whether the Reverse Stress Test scenario identified by management was plausible. We also applied significant professional judgement in evaluating and concluding on the impact of the sensitivity analyses.

We performed the following audit procedures to evaluate management's assessment of the entity's ability to continue as a going concern:

- Obtained an understanding of how management prepared their base case and sensitised forecasts for the period to September 2023;
- Assessed the accuracy of management's forecasting by comparing the reliability of past forecasts to management's actual results, and considering whether management's historic forecasting accuracy impacts upon the reliance we can place upon the forecasts provided;
- Obtained an understanding of key trading, balance sheet and cash flow assumptions and testing those key assumptions to underlying historical financial data, post period end trading information and market analysis data;
- Assessed the terms of the external debt held and challenging management's assessment of the possibility of renewal during the going concern period and obtained correspondence from the lender;

- Assessed the plausibility of the mitigating actions available to management to continue as a going concern if downside sensitivities were to crystallise;
- Evaluated management's reverse stress test and worse-case forecasts and management's consideration of the magnitude of a decline in cash that would give rise to the elimination of the headroom in the borrowing facilities;
- Performed arithmetical and consistency checks on management's going concern base case model; and
- Assessed the adequacy of related disclosures within the annual report.

In performing our audit procedures, we noted that if the debt facilities were not renewed in November 2022, within the going concern period, the group would at certain points of the going concern period have insufficient cash as described in the material uncertainty relating to going concern section above.

Our responsibilities

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

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

OUR APPROACH TO THE AUDIT

Overview of our audit approach



Materiality

Overall materiality:

Group: £322,000, which represents approximately 0.7% of the group's revenue.

Parent company: £290,000, which represents approximately 0.5% of the parent company's gross assets.

Key audit matters

Key audit matters were identified as:

- Revenue recognition;
- Going concern;
- Impairment of goodwill and other intangible assets; and Impairment of investments (parent only).

Scoping

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

We performed an audit of the financial information of five components using component materiality (full-scope audit) and one audit of one or more accounts, balances, classes of transactions or disclosures of the component (specific-scope audit) for one component. We performed analytical procedures at group level (analytical procedures) on the financial information of all the remaining group components.

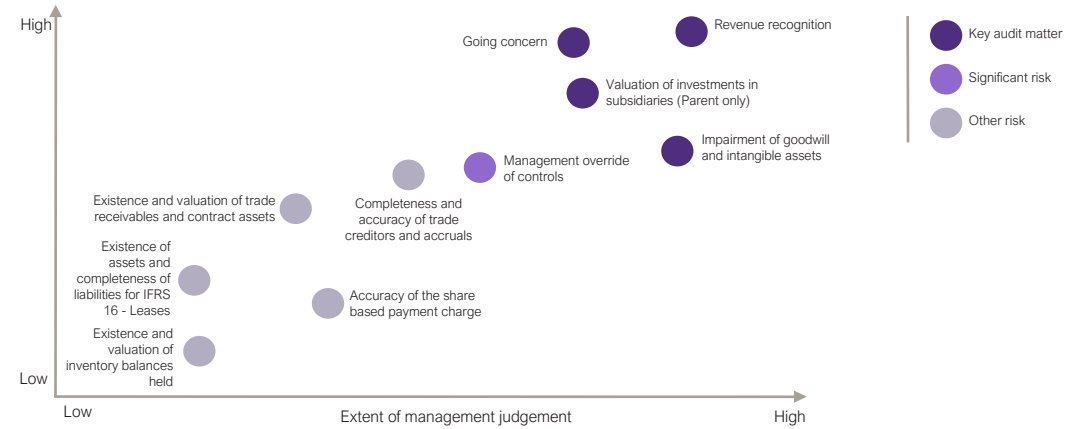
Key audit matters

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

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



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



Key Audit Matter - Group

Revenue recognition

We identified the risk that revenue includes fraudulent transactions as one of the most significant assessed risks of material misstatement due to fraud.

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

Revenue recognised over time

The significant risk is in relation to fraudulent or erroneous recording of revenue by allocating incorrect amounts of consideration and/or incorrectly assessing the stage of completion for a contract. This area includes management judgement for incomplete contracts at the period end.

It could also occur through manipulation or error in accrued income which could be inaccurate or incomplete or existence of contract assets.

Total revenue recognised over time is £40.2m (2020: £35.7m).

Revenue recognised at a point in time.

The significant risk identified is in relation cut off by accelerating revenues that should not be recognised in the period ending 30 September 2021. This impacts revenue recognised at the end of the financial period.

Total revenue recognised at a point in time is £6.8m (2020: £5.2m).

How our scope addressed the matter - Group

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

Testing the design and implementation of key controls in the revenue recognition process, including those related to the posting and reconciliation of revenue;

Evaluated the revenue recognition policies for consistency with IFRS 15, through assessment of management's IFRS 15 paper; including, specifically, consideration of management's identification of performance obligations and allocation of the transaction prices to the performance obligations;

Performed analytical procedures through comparing revenue earned in the period to the prior year, corroborating management's explanation for significant or unusual variances;

Obtained and read management's IFRS 15 assessment of performance obligations and recording of consideration across a sample of contracts to determine whether there is an indication of bias in the amount of consideration recognised by obligation or that there is an error in the performance obligations identified;

Challenged management's total expected costs to gain assurance that revenue had been recognised correctly by reference to the accuracy of the percentage of completion. We compared costs expected with post period end results and tested a sample of forecasted costs to supporting evidence such as purchase orders and supplier quotations;

Tested the historical accuracy of forecasting by comparing final out turn of completed contracts to original forecasts;

Tested a sample of contracts held by the Group and recalculate the revenue that should have been recognised and revenue that should have been accrued or deferred in the period;

Key Audit Matter - Group**How our scope addressed the matter – Group**

Recalculated the period-end accrued and deferred income balance based on management's schedules, and perform procedures on a sample basis to ensure schedules were complete and accurate;

Sampled from sales made around the period end and determine whether cut off procedures are appropriate. We used a proportion of materiality to select our sample and review the revenue recognised in September 2021; and

Tested a sample of credit notes raised throughout the period and post period end to ensure revenue is not being artificially inflated at the period end. Where we identify unusual credit notes, we tested them to supporting evidence.

Relevant disclosures in the Annual Report and Accounts 2021

- Financial statements: Note 4,
- Audit committee report: Page 60

Our results

Based on our audit work performed, we have not identified any material misstatements relating to the revenue cycle including fraudulent transactions.

Impairment of goodwill and intangible assets

We identified impairment of goodwill and intangible assets as one of the most significant assessed risks of material misstatement due to error.

This is because of the underperformance of the group in the period and the high level of estimation uncertainty in assessing the future performance of the group using operating cash flows and long-term growth rates and also in assessing the appropriate discount rate to apply in calculating the 'value in use' of the cash generating units (CGU's):

- This risk is relevant to all CGU's
- The Group recorded goodwill and other intangible assets with a carrying value of £25.3m as at 30 September 2021 (2020: £26.3m).

In responding to the key audit matter, we performed the following audit procedures on the CGU's identified:

- Obtained and read management's assessment of the CGUs to assess compliance with IAS 36 and the assignment of assets to those CGU's;
- Assessed and challenged management's impairment model to ensure appropriate costs and expenses are included and excluded, and that cash flows included in the model are appropriate when taking into consideration COVID-19;
- Recalculated and challenged the implied growth rates included in the model by comparing the actual results to historical forecasting, evidencing accuracy;
- Performed sensitivity analysis on management's impairment model and own sensitivities;
- Engaged our Valuations team to assess the appropriateness of the discount rate included in management's impairment model;
- Performed the same review procedures noted above on the impairment review performed by management on the CGU's disclosed in the prior year; and
- Assessed whether the disclosure included for the headroom sensitivities is appropriate and assessing whether the accounting policy is in line with IAS 36.

Relevant disclosures in the Annual Report and Accounts 2021

- Financial statements: Note 11
- Audit committee report: Page 60

Our results

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

Key Audit Matter - Parent**How our scope addressed the matter – Parent****Valuation of investments in subsidiaries**

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

This is because of the underperformance of the group in the period and the high level of estimation uncertainty in assessing the future performance of the group using operating cash flows and long-term growth rates and also in assessing the appropriate discount rate to apply in calculating the 'recoverable amounts' of the investments.

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

As at 30 September 2021 the Company has total investments of £37.1m (2020 £38.9m restated).

Relevant disclosures in the Annual Report and Accounts 2021

- Financial statements: Note 3 and Note 10
- Audit committee report: Page 60

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

Tested management's workings for the value in use of the investments. We tested the model to ensure appropriate costs and expenses are included and excluded, and that cash flows included in the model are appropriate when taking into consideration COVID-19;

Recalculated and challenged the implied growth rates included in the model by comparing the actual results to historical forecasting, evidencing accuracy;

Performed sensitivity analysis on management's impairment model and own sensitivities; and

Engaged our Valuations team to assess the appropriateness of the discount rate included in management's impairment model.

Our results

Based on our audit work performed, we agree with the impairment recorded, the prior year adjustment recorded and consider the value attributed to investments to be in line with the recoverable amount of those subsidiaries.

Our application of materiality

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

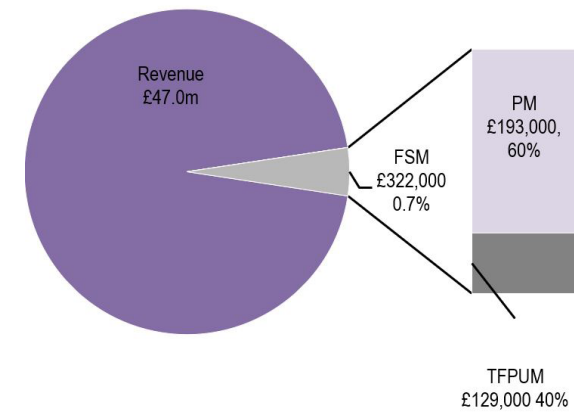
Materiality was determined as follows:

Materiality measures	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£322,000, which is approximately 0.7% of the group's revenue.	£290,000, which is approximately 0.5% of the parent company's gross assets.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: <ul style="list-style-type: none"> • The metrics most relevant to the users of the financial statements which was determined to be revenue following the review of broker report and the previous financial statements; 	In determining materiality, we made the following significant judgements: <ul style="list-style-type: none"> • The metrics most relevant to the users of the financial statements which was determined to be gross assets for the parent entity;

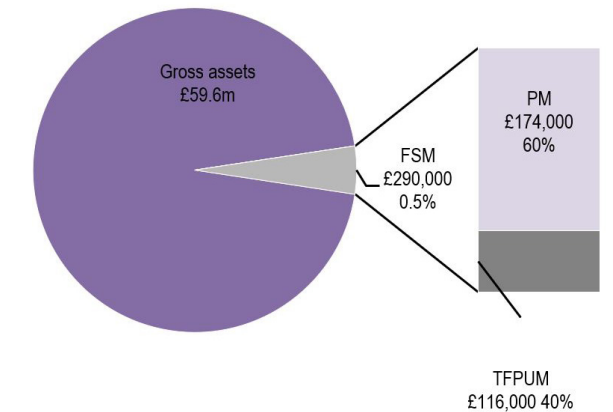
Materiality measures	Group	Parent company
	<ul style="list-style-type: none"> Whether the metric has been materiality influenced by matters such as COVID-19, Brexit or changes in the marketplace; and This benchmark is considered the most appropriate because of the stability of revenue compared to the profit before tax. 	<ul style="list-style-type: none"> Whether the metric has been materiality influenced by matters such as COVID-19, Brexit or changes in the marketplace; and This benchmark is considered the most appropriate because the parent company is a holding company.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£193,000, which is 60% of financial statement materiality.	£174,000, which is 60% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining performance materiality, we made the following significant judgements: <ul style="list-style-type: none"> The audit is a first period following a change in statutory auditor. 	In determining performance materiality, we made the following significant judgements: <ul style="list-style-type: none"> The audit is a first period following a change in statutory auditor.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for the following areas: <ul style="list-style-type: none"> Directors' remuneration; and Related party transactions. 	We determined a lower level of specific materiality for the following areas: <ul style="list-style-type: none"> Directors' remuneration; and Related party transactions.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£16,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£14,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

Overall materiality – Group



Overall materiality – Parent company



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

An overview of the scope of our audit

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

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

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

Identifying significant components

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

component we performed a specific-scope audit. For the remaining seven components we performed analytical procedures.

Performance of our audit

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

Audit approach	Number of components	% coverage Revenue	% coverage profit before tax
Full-scope audit	5	90	96
Specified audit procedure	1	4	3
Analytical procedures	7	6	1
Total	13	100	100

Other information

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

agreement with the accounting records and returns; or certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and the parent company and determined that the most significant are applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 (for the group), United Kingdom Generally Accepted Accounting Practice (for the parent company) and relevant tax regulations.
- We assessed the susceptibility of the group's and the parent company's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - journal entries that increased revenues or that reclassified costs from the income statement to the balance sheet that are posted by senior finance personnel;
 - potential management bias in determining accounting estimates, especially in relation to their assessment of the valuation of intangible assets; and
 - transactions with related parties outside the normal course of business.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team including consideration of the engagement team's:
 - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the industry in which the group and the parent company operate; and
 - understanding of the legal and regulatory requirements specific to the group and the parent company.
- We had team communications in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in revenue recognition through manipulation of deferred income.
- In assessing the potential risks of material misstatement, we obtained an understanding of the group's and the parent company's operations, including the nature of their revenue sources, products and services and of their objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- We obtained an understanding of the group's and the parent company's control environment, including the

adequacy of the training to inform staff of the relevant legislation, the adequacy of procedures for authorisation of transactions and procedures to ensure that possible breaches of requirements are appropriately investigated and reported.

- We made enquiries of the one component auditor, and requested that they confirm to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Use of our report

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

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

24th February 2022

Consolidated Statement of Comprehensive Income

for the 18-month period ended 30 September 2021

	Note	18M ended 30 Sep 2021 £000	12M ended 31 Mar 2020 £000
Revenue	4	47,034	40,943
Cost of sales	6	(35,794)	(28,671)
Gross profit		11,240	12,272
Administrative expenses	6	(16,721)	(10,227)
Other operating income		48	-
Group operating (loss) / profit		(5,433)	2,045
Analysed as:			
Adjusted EBITDA ⁽¹⁾		(2,115)	4,695
Depreciation	12	(2,031)	(1,253)
Amortisation	11	(1,651)	(834)
Exceptional share based payments charge	23	364	(454)
Exceptional items	6	-	(109)
Group operating (loss) / profit		(5,433)	2,045
Finance costs		(402)	(170)
Finance income		5	84
Net finance costs	7	(397)	(86)
(Loss) / Profit before taxation		(5,830)	1,959
Taxation	9	394	3
(Loss) / Profit for the period		(5,436)	1,962
Equity-settled share-based payments		(164)	446
Retranslation of overseas subsidiaries		(153)	-
Total comprehensive income for the period		(5,753)	2,408
(Loss) / Profit attributable to owners of the parent		(5,436)	1,962
Total Comprehensive income attributable to owners of the parent		(5,753)	1,962
(Loss) / Profit per share (pence)			
Basic	10	(10.60)	3.85
Diluted	10	(10.60)	3.73

All results derive from continuing operations.

⁽¹⁾ Adjusted EBITDA, which is defined as profit before net 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.

Consolidated Balance Sheet

as at 30 September 2021

	Note	30 Sep 2021 £000	31 Mar 2020 £000
Non-current assets			
Property, plant and equipment	12	5,696	5,892
Goodwill and other intangibles	11	25,307	26,294
Total non-current assets		31,003	32,186
Current assets			
Inventory	14	3,966	2,536
Trade and other receivables	15	17,971	26,819
Cash and cash equivalents	16	3,482	2,130
Total current assets		25,419	31,485
Total assets		56,422	63,671
Equity and liabilities			
Share capital	21	516	513
Share premium		64,097	64,100
Merger relief reserve		1,738	1,738
Merger reserve		(12,685)	(12,685)
Foreign currency translation reserve		(153)	-
Retained losses		(13,290)	(7,690)
Total equity		40,223	45,976
Non-current liabilities			
Other interest-bearing loans and borrowings	18	3,183	310
Trade and other payables	17	343	355
Deferred tax liability	19	125	469
Total non-current liabilities		3,651	1,134
Current liabilities			
Other interest-bearing loans and borrowings	18	3,160	504
Trade and other payables	17	9,121	16,010
Corporation tax payable		267	47
Total current liabilities		12,548	16,561
Total liabilities		16,199	17,695
Total equity and liabilities		56,422	63,671

The Group financial statements were approved by the Board and authorised for issue on 24 February 2022 and were signed on its behalf by:

Derek Bulmer

Chief Financial Officer & Company Secretary
Company registered number: 11383143

Consolidated Statement of Changes in Equity

for the 18-month period ended 30 September 2021

	Share capital £000	Share premium £000	Merger relief reserve £000	Merger reserve £000	Retained earnings £000	Foreign currency translation reserve £000	Total equity attributable to the owners of the parent £000	Total equity £000
Balance at 31 March 2019	507	64,100	993	(12,685)	(10,098)	-	42,817	42,817
Profit for the year	-	-	-	-	1,962	-	1,962	1,962
Total comprehensive income for the year	-	-	-	-	1,962	-	1,962	1,962
Issue of shares	6	-	745	-	-	-	751	751
Share based payments	-	-	-	-	446	-	446	446
Total transactions with owners, recognised directly in equity	6	-	745	-	446	-	1,197	1,197
Balance at 31 March 2020	513	64,100	1,738	(12,685)	(7,690)	-	45,976	45,976
(Loss) for the Period	-	-	-	-	(5,436)	-	(5,436)	(5,436)
Total comprehensive income for the year	-	-	-	-	(5,436)	-	(5,436)	(5,436)
Issue of shares	3	(3)	-	-	-	-	-	-
Share based payments	-	-	-	-	(164)	-	(164)	(164)
Exchange difference on translation of overseas subsidiary	-	-	-	-	-	(153)	(153)	(153)
Total transactions with owners, recognised directly in equity	3	(3)	-	-	(164)	(153)	(317)	(317)
Balance at 30 September 2021	516	64,097	1,738	(12,685)	(13,290)	(153)	40,223	40,223

Consolidated Cash Flow Statement

for the 18-month period ended 30 September 2021

	18M ended 30 Sep 2021 £000	12M ended 31 Mar 2020 £000
Cash flows from operating activities		
(Loss) / profit before taxation	(5,830)	1,959
Adjustments for:		
Depreciation	2,031	1,253
Amortisation of intangible assets	1,651	834
Share based payments charge	(135)	488
Finance costs	402	170
Finance income	(5)	(84)
	(1,886)	4,620
Changes in working capital:		
Increase in inventories	(1,429)	(512)
Decrease / (increase) in trade and other receivables	8,847	(4,393)
(Decrease) / increase in trade and other payables	(6,954)	2,357
Cash (used in) generated from operations	(1,422)	2,072
Tax recovered	240	209
Net cash inflow/(outflow) from operating activities	(1,182)	2,281
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,840)	(1,704)
Purchase of intangible assets	(664)	(729)
Proceeds on sale of property, plant and equipment	5	-
Acquisition of subsidiary net of cash acquired	-	(1,637)
Interest received	5	84
Net cash (outflow) / inflow from investing activities	(2,494)	(3,986)
Cash flows from financing activities		
Facility drawdown	6,052	-
Lease obligation borrowings	247	-
Repayment of borrowings under Lease obligations	(770)	(355)
Interest paid	(348)	-
Net cash inflow / (outflow) from financing activities	5,181	(355)
Net increase / (decrease) in cash and cash equivalents	1,505	(2,060)
Cash and cash equivalents at beginning of year	2,130	4,190
Effect of foreign exchange rate changes	(153)	-
Cash and cash equivalents at end of year	3,482	2,130

Notes to the Group Financial Statements for the 18-month period ended 30 September 2021

1. General Information

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

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

Forward looking statements

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

2. Basis of preparation and accounting policies

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

(a) Basis of preparation

The results for the 18 months ended 30 September 2021 have been prepared in accordance with international accounting standards in conformity with companies act 2006 (“IFRS”). The financial statements have been prepared on the going concern basis and on the historical cost convention modified for the revaluation of certain financial instruments. The comparative period represents 12 months from 1 April 2019 to 31 March 2020.

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

(b) Going concern

The Group meets its day-to-day working capital requirements through its available banking facilities which includes a CBILs loan of £3.0m currently available to 31 October 2022 and a trade loan facility of up to £4.0m that can be drawn against supplier payments, currently available to 30 November 2022. The latter is provided with support from UKEF due to the nature of the business

activities both in renewable energies and in driving growth through export lead opportunities. The Group held £3.5m of cash at 30 September 2021 including full draw down of the £3.0m CBILs loan and a further £3.0m of the trade loan facility. There are no financial covenants that the Group must adhere to in either of the bank facilities.

The Directors have prepared cash flow forecasts to 30 September 2023. The base case forecasts include assumptions for annual revenue growth supported by current order book, known tender pipeline, and by publicly available market predictions for the sector. The forecasts also assume a retention of the costs base of the business with inflationary increases of 2% on salaries and a cautious recovery of gross margin on contracts. These forecasts show that the Group is expected to have a sufficient level of financial resources available to continue to operate on the assumption that the two facilities described are renewed.

Given the planned recovery of the Group from the impacts of the COVID-19 pandemic and recognising the significant market opportunity for growth in the market for off-shore energy, the Directors have sensitised their base case forecasts for a severe but plausible downside impact.

This sensitivity includes reducing revenue by 15% for the year to 30 September 2023, including the loss or delay of a certain level of contracts in the pipeline that form the base case forecast, and a 15% increase in costs across the Group as a whole for the same period. The base case forecast also includes discretionary spend on capital outlay which has been withheld in the sensitised case. In addition, the directors note there is further discretionary spend within their control which could be cut, if necessary, although this has not been modelled in the sensitised case given the headroom already available. These sensitivities have been modelled to give the Directors comfort in adopting the going concern basis of preparation for these financial statements. Further to this, a ‘reverse stress test’ was performed to determine at what point there would be a break in the model.

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

Facilities

Within both the base case and severe but plausible case, management have assumed the renewal of both the CBILs loan and trade loan facility in November 2022. In the unlikely case that the facilities are not renewed, the Group would aim to take a number of co-ordinate actions designed to avoid the cash deficit that would arise.

The directors are confident, based upon the communications with the team at Barclays, the historical strong relationship and recent bank facility renewal in November 2021, that these facilities will be renewed and will be available for the foreseeable future.

However, as the renewal of the two facilities in October and November 2022 are yet to be formally agreed and the Group’s forecasts rely on their renewal, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s and parent company’s ability to continue as a going concern

(c) New standards, amendments and interpretations

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

effective that will have a significant impact going forward..

(d) Basis of consolidation

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

(e) Revenue

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

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

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

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

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

- i. Fixed-fee contracted supply of subsea protection solutions

For the majority of revenue transactions, the Group enters individual contracts for the supply of subsea protection solutions, generally for a specific project in a particular geographic location. Each contract generally has one performance obligation, to supply subsea protection solutions. When the contracts meet one or more of the criteria within step 5, including the right to payment for the work completed, including profit should the customer terminate, then revenue is recognised over time.

If the criteria for recognising revenue over time is not met, revenue is recognised at a point in time, normally on the transfer of ownership of the goods to the customer.

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

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

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

ii) Manufacture and distribution of ancillary products, equipment.

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

iii) Provision of consultancy services.

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

The Group has a number of revenue transactions which are generally contracted with customers using purchase 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.

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

(f) EBITDA and Adjusted EBITDA

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

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

(g) Exceptional costs

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

(h) Foreign currency

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

(i) Classification of instruments issued by the Group

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

- they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with

another party under conditions that are potentially unfavourable to the Group; and

- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

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

(j) Property, plant and equipment

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

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

Depreciation

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

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

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

(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.

(i) Impairment

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

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

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

(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 pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. As noted by the Group in prior public announcements, there is an emerging industry-wide issue regarding abrasion of legacy cable protection

systems installed at offshore wind farms. The Group has addressed technical improvements based on industry lessons learned and is engaged and sharing lessons with partners to address these industry-wide issues and supporting customers with such issues. The precise cause of the issues are not clear and could be as a result of a number of factors, such as the absence of a second layer of rock to stabilise the cables. Tekmar is committed to working with relevant installers and operators, including directly with customers who have highlighted this issue, to investigate the root cause and assist with identifying potential remedial solutions but given the extensive uncertainties and level of variabilities at this early stage of investigations no conclusions can yet be made.

(p) Leases

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

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

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

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

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

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

(q) Net financing costs

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

(r) Taxation

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

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

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.

(s) 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, with the exception of derivative financial instruments which are held at FVTPL.

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

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

Financial liabilities

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

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

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

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

(w) Share capital

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

(x) Share premium

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

(y) Merger reserve

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

other reserves of the Company as if it had always existed, with the difference presented as the merger reserve.

(z) Translation reserve

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

(aa) Own shares held by ESOP trust

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

(bb) Retained earnings

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

(ab) Government grants

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

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

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

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

than to show these separately as other operating income.

(ac) Share based payments

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

Where employees are rewarded using share-based payments, the fair value of employees' services is

determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions.

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

3. Critical accounting judgements and estimates

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

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

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

Revenue recognition

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

Product development capitalisation

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

(b) Critical accounting estimates

Revenue recognition – stage of completion when using input method

Revenue on contracts is recognised based on the stage of completion of a project, which, when using the input method, is measured as a proportion of costs incurred out of total forecast costs. Forecast costs to complete each project are therefore a key estimate in the financial statements and can be inherently uncertain due to changes in market conditions. For the partially complete projects in Tekmar Energy at year end if the percentage completion was 1% different to management's estimate the revenue impact would be £123,926. Within Subsea Innovation and Pipeshield International there were a number of projects in progress over the year end and a 1% movement in the estimate of completion would impact revenue in each by £78,065 and £86,250 respectively. However, the likelihood of errors in estimation is small, as the businesses have a history of reliable estimation of costs to complete and given the nature of production, costs to complete estimate are relatively simple.

Recoverability of contract assets and receivables

Management judges the recoverability at the balance sheet date and makes a provision for impairment where appropriate. The resultant provision for impairment represents management's best estimate of losses incurred in the portfolio at the balance sheet date, assessed on the customer risk scoring and commercial discussions. Further, management estimate the recoverability of any AROC balances relating to customer contracts. This estimate includes an assessment of the probability of receipt, exposure to credit loss and the value of any potential recovery. Management base this estimate using the most recent and reliable information that can be reasonably obtained at any point of review.

A material change in the facts and circumstances could lead to a reversal of impairment proportional to the expected cash inflows supported by this information.

Impairment of Non-Current assets

Management conducts annual impairment reviews of the Group's non-current assets on the consolidated statement of financial position. This includes goodwill annually, development costs where IAS 36 requires it, and other assets as the appropriate standards prescribe.

Any impairment review is conducted using the Group's future growth targets regarding its key markets of offshore energy and marine civils. Sensitivities are applied to the growth assumptions to consider any potential long-term impact of current economic conditions, such as the impact caused by the COVID-19 pandemic. Provision is made where the recoverable amount is less than the current carrying value of the asset. Further details as to the estimation uncertainty and the key assumptions are set out in note 11.

4. Segmental Reporting

Management has determined the operating segments based upon the information provided to the executive Directors which is considered the chief operation decision maker. The Group is managed and reports internally by business division and market and has changed the composition of its reportable segments for the year ended 30 September 2021 to reflect this. The change in segmental reporting gives a more accurate representation of the combined entity product offering across the group. The previous period was reported as four reportable segments being the separate business entities.

Major customers

In the period ended 30 September 2021 there was One major customer[s] within the offshore energy segment that individually accounted for at least 10% of total revenues (2020: two customers). The revenues relating to these in the period to 30 September 2021 were £7,123,000 (2020: £11,079,395). Included within this is revenue from multiple projects with different entities within each customer.

	18M ending 30 Sep 2021 £000	12M ending 31 Mar 2020 £000
Analysis of revenue by region		
UK & Ireland	20,312	24,152
China	7,068	1,108
USA & Canada	4,351	1,479
Middle East	3,810	1,958
Rest of the World	11,493	12,219
	47,034	40,943
Analysis of revenue by market		
Offshore Wind	26,899	25,706
Other Offshore	20,135	15,237
	47,034	40,943
Analysis of revenue by product category		
Offshore Energy protection systems & equipment	30,584	34,774
Marine Civils	13,196	3,143
Engineering consultancy services	3,254	3,026
	47,034	40,943
Analysis of revenue by recognition point		
Point in Time	6,791	5,194
Over Time	40,243	35,749
	47,034	40,943

At 30 September 2021, the group had a total transaction price £9,724k (2020: £10,056k) allocated to performance obligations on contracts which were unsatisfied or partially unsatisfied at the end of the reporting period. The amount of revenue recognised in the reporting period to 30 September 21 which was previously recorded in contract liabilities was £991k (2020: £570k).

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

	Offshore Energy 2021 £000	Marine Civils 2021 £000	Group / Eliminations £000	Total 2021 £000
Revenue	33,837	13,197	-	47,034
Gross profit	8,208	3,032	-	11,240
% Gross profit	24%	23%	-	24%
Operating profit/(loss)	(4,266)	969	(2,136)	(5,433)
Analysed as:				
Adjusted EBITDA	(1,881)	1,195	(1,429)	(2,115)
Depreciation	(1,805)	(226)	-	(2,031)
Amortisation	(523)	-	(1,128)	(1,651)
Share based payments	(57)	-	421	364
Exceptional	-	-	-	-
Operating (loss)/profit	(4,266)	969	(2,136)	(5,433)
Interest & similar expenses	(285)	(8)	(104)	(397)
Tax	235	(230)	389	394
(Loss)/profit after tax	(4,316)	731	(1,851)	(5,436)
Other information				
Reportable segment assets	25,048	6,793	25,542	57,383
Reportable segment liabilities	(6,755)	(2,832)	(7,072)	(16,659)

	Offshore Energy 2020 £000	Marine Civils 2020 £000	Group / Eliminations £000	Total 2020 £000
Revenue	37,800	3,143	-	40,943
Gross profit	11,212	1,060	-	12,272
% Gross profit	30%	34%	-	30%
Operating profit/(loss)	3,097	295	(1,347)	2,045
Analysed as:				
Adjusted EBITDA	4,781	382	(468)	4,695
Depreciation	(1,166)	(87)	-	(1,253)
Amortisation	(391)	-	(443)	(834)
Share based payments	(122)	-	(332)	(454)
Exceptional	(5)	-	(104)	(109)
Operating profit/(loss)	3,097	295	(1,347)	2,045
Tax & Finance cost	(146)	93	(30)	(83)
Profit/(loss) after tax	2,951	388	(1,377)	1,962
Other information				
Reportable segment assets	41,996	4,586	17,089	63,671
Reportable segment liabilities	20,716	1,255	(4,276)	17,695

5. Employees and Directors

(a) Staff numbers and costs

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

	2021 (No)	2020 (No)
Directors	5	5
Sales	9	10
Administration	41	53
Technical	69	40
Direct labour	63	86
	187	194

Staff costs for the Group during the period were:

	18M ending 30 Sep 2021 £000	12M ending 31 Mar 2020 £000)
Wages and salaries	11,967	7,100
Social security costs	1,219	754
Defined contribution pension cost	568	300
Share based payments (note 23)	205	454
	13,959	8,608

(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:

	18M ended 30 Sep 2021 £000	12m ended 31 Mar 2020 £000
Short term benefits:		
Salaries including bonuses	1,023	497
Social security costs	116	62
Total short-term benefits	1,139	559
Post-employment benefits:		
Defined contribution pension plan	20	19
Total remuneration	1,159	578

Share options were awarded in the year, see note 23 for details of share option plans. No existing share options were exercised in the year by key management personnel.

Director remuneration	Basic salary / fees £000	Benefits £000	Bonus £000	Pension £000	FY21 Total £000	FY20 Total £000
Name of Director						
J Ritchie	170	-	-	4	174	214
S Hurst	217	-	115	11	343	150
A MacDonald	250	-	50	-	300	70
C Gill	63	-	-	-	63	45
J Brown	76	-	-	4	80	37
D Bulmer	62	-	-	-	62	0
I Ritchey	19	-	-	1	20	0

Highest paid director

The aggregate remuneration of the highest paid director was £343,000 (2020: £214,200), which includes pension contributions of £10,877 (2020: £10,000), and accrued bonus costs of £276,000 to be paid in October 2021. The number of directors accruing pension benefits under a defined contribution plan was five (2020: three).

6. Expenses by nature

	18M ended 30 Sep 2021 £000	12m ended 31 Mar 2020 £000
Research and development	-	298
Employee benefit expense	13,959	8,606
Amortisation (note 11)	1,651	834
Depreciation – leased (note 12)	606	380
Depreciation – owned (note 12)	1,425	872
Inventory recognised as an expense	31,873	21,029
Exceptional items	-	109
Other expenses	3,001	6,770
Total cost of sales and operating expenses	52,515	38,898

Exceptional items

Exceptional items in 2020 include:

- Deal related costs, principally professional fees.

7. Net finance costs

	18M ending 30 Sep 2021 £000	12M ending 21 Mar 2020 £000
Interest payable and similar charges		
On other loans	298	170
Fair value movement on forward foreign exchange contracts	104	-
Total interest payable and similar charges	402	170
Interest receivable and similar income		
Fair value movement on forward foreign exchange contracts	-	(80)
Interest receivable	(5)	(4)
Total interest receivable and similar income	(5)	(84)
Net finance costs	397	86

Interest expense on lease liabilities was £19,356 (2020: £25,534).

8. Auditors Remuneration

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

	18M ending 30 Sep 2021 Current Auditor £000	12M ending 31 Mar 2020 Previous Auditor £000
Fees payable to Company's auditor for the audit of the parent company financial statements	100	59
Fees payable to Company's auditor for other services:		
– The audit of Company's subsidiaries	69	26
– Tax compliance	-	41
– Other non-audit services	34	10
	203	136

9. Taxation

Analysis of credit in year	18M ending 30 Sep 2021 £000	12m ending 31 Mar 2020 £000
Current tax		
Current taxation charge for the year	-	55
Adjustments in respect of prior periods	(18)	(48)
Total current tax	(18)	7
Deferred tax		
Origination and reversal of timing differences	(376)	(10)
Adjustments in respect of prior periods	-	-
Total deferred tax	(376)	(10)
Tax on loss / profit on ordinary activities	(394)	(3)
Reconciliation of total tax credit:		
(Loss) / Profit on ordinary activities before tax	(5,830)	1,959
(Loss) / Profit on ordinary activities multiplied by the rate of corporation tax in the UK of 19% (2020: 19%)	(1,108)	372
Effects of:		
Non-deductible expenses	294	147
Non-taxable income	(147)	(208)
Enhanced R&D tax relief	(267)	(418)
Impact of unrecognised deferred tax assets	1,228	162
Effect of deferred tax	(376)	(10)
Adjustments in respect of previous periods	(18)	(48)
Total taxation credit	(394)	(3)

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). The decision for the UK corporation tax rate to remain at 19% (effective from 1 April 2020) instead of a reduction to 17% was substantively enacted on 17 March 2020. As a result, deferred tax balances have been measured at the effective rate of 19%. The corporation tax rate will increase from increase to 25% from 19% with effect from April 2023.

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 all conditional share awards.

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

	18M ending 30 Sep 2021 £000	12M ending 31 Mar 2020 £000
Earnings £000	(5,436)	1,962
Earnings for the purposes of basic and diluted earnings per share being profit/(loss) for the year attributable to equity shareholders		
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share	51,248,412	50,961,405
Weighted average dilutive effect of conditional share awards	1,545,392	1,625,000
Weighted average number of shares for the purposes of diluted earnings per share	52,829,804	52,586,405
Profit per ordinary share (pence)		
Basic profit per ordinary share	(10.60)	3.85
Diluted profit per ordinary share	(10.60)	3.73
Adjusted earnings per ordinary share (pence)*	(9.11)	5.82

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

	2021 £000	2020 £000
(Loss)/profit for the period attributable to equity shareholders	(5,436)	1,962
Add back:		
Amortisation on acquired intangible assets	1,128	443
Exceptional costs	-	109
Share based payment on IPO and SIP at Admission	(364)	454
Tax effect on above	1	2
Adjusted earnings	(4,671)	2,970

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

11. Goodwill and other intangibles

	Goodwill £000	Software £000	Product development £000	Trade name £000	Customer relationships £000	Total £000
COST						
As at 1 April 2019	23,705	181	2,001	738	446	27,071
On acquisition	2,587	-	-	551	1,424	4,562
Additions	-	89	640	-	-	729
As at 31 March 2020	26,292	270	2,641	1,289	1,870	32,362
Additions	-	124	540	-	-	664
As at 30 September 2021	26,292	394	3,181	1,289	1,870	33,026
AMORTISATION AND IMPAIRMENT						
As at 1 April 2019	4,109	78	938	36	73	5,234
Charge for the year	-	10	381	97	346	834
As at 31 March 2020	4,109	88	1,319	133	419	6,068
Charge for the period	-	44	4,79	193	935	1,651
As at 30 September 2021	4,109	132	1,798	326	1,354	7,719
NET BOOK VALUE						
As at 1 April 2019	19,596	103	1,063	702	373	21,837
As at 31 March 2020	22,183	182	1,322	1,156	1,451	26,294
As at 30 September 2021	22,183	262	1,383	963	516	25,307

The remaining amortisation periods for software and product development are 6 months to 48 months (2020: 6 months to 36 months).

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

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

	2021 £000	2020 £000
Goodwill		
Offshore Energy Division	19,593	19,593
Marine Civils Division	2,590	2,590

Goodwill was all allocated to four CGUs last year and this has now changed following the integration of the various acquisitions into the business model. Goodwill has been tested for impairment by assessing the value in use of the cash generating unit. The value in use has been calculated using budgeted cash flow projections for the next 4 years. A terminal value based on a perpetuity calculation using a 2% real growth rate was then added. The next 4 years forecasts have been compiled at individual entity level with the forecasts in the first 2 years modelled around the known contracts which the entities have already secured or are in an advanced stage of securing. A targeted revenue stream based on historic revenue run rates has then been incorporated into the cashflows to model contracts that are as yet unidentified that will be won and completed in the year. The forecasts for year 3 and year 4 are based on assumed growth rates for each individual entity, the total growth rate for the group (CAGR 15.5%) are in line with expected market rate.

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

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

- Gross Margin % returning towards FY20 levels for offshore energy division
- A post tax discount rate of 12.1 % WACC (FY20 11.6%) estimated using a weighted average cost of capital adjusted to reflect current market assessment of the time value of money and the risks specific to the group
- Terminal growth rate percentage of 2% (FY20: 2%)

The discount rate used to test the cash generating units was the Group's post-tax WACC of 12.1%. The goodwill impairment review has been tested against a reduction in free cashflows by 80% versus the original budget in each year. This is considered by management to be the most likely worst-case scenario. Under this sensitivity test sufficient headroom was available to support the carrying value of goodwill.

Further sensitivity analysis performed by management shows that free cashflows would have to reduce to 56% of forecasted values to trigger an impairment of goodwill. The post-tax discount rate of 12.1% would need to increase to 13.75% to trigger an impairment of goodwill. Management do not consider either of these scenarios to be likely.

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

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

12. Property, Plant and Equipment

	Freehold property £000	Leasehold improvements £000	Containers & racking £000	Plant & equip £000	Fixture & fittings £000	Production tooling £000	Motor Vehicles £000	Computer Equipment £000	Right of use asset £000	Total £000
COST										
As at 31 March 2019	2,760	919	1,118	2,306	-	1,682	11	427	2,369	11,592
Arising on acquisition	576	1	-	151	-	-	-	5	-	733
Additions	-	1	86	244	21	632	-	61	316	1,361
Disposals	(450)	-	(63)	-	-	-	-	-	-	(513)
As at 31 March 2020	2,886	921	1,141	2,701	21	2,314	11	493	2,685	13,173
Additions	-	3	77	1,069	9	393	-	30	258	1,839
Disposals	-	(5)	(24)	-	-	-	-	(1)	(120)	(150)
As at 30 September 2021	2,886	919	1,194	3,770	30	2,707	11	522	2,823	14,862
DEPRECIATION										
As at 31 March 2019	20	868	1,099	1,107	-	1,024	11	328	1,634	6,091
Charge for the year	50	36	17	277	1	450	-	41	380	1,252
Eliminated on disposal	-	-	(63)	-	-	-	-	-	-	(63)
As at 31 March 2020	70	904	1,053	1,384	1	1,474	11	369	2,014	7,280
Charge for the year	76	17	69	476	13	699	-	75	606	2,031
Eliminated on disposal	-	-	(24)	-	-	-	-	(1)	(120)	(145)
As at 30 September 2021	146	921	1,098	1,860	14	2,173	11	443	2,500	9,166
NET BOOK VALUE										
As at 31 March 2019	2,740	51	19	1,199	-	658	-	99	735	5,501
As at 31 March 2020	2,816	17	88	1,317	20	840	-	123	671	5,892
As at 30 September 2021	2,740	(2)	96	1,910	16	534	-	79	323	5,696

Depreciation charges are allocated to cost of sales and administrative expenses in the income statement. The carrying value of the right of use asset relates to property leases (£302k) and plant and equipment assets (£21k).

As at 30 September 2021, the freehold property with carrying value of £2,740k were subject to a fixed and floating charge that forms security for the bank borrowings disclosed in note 18.

13. Investments

Subsidiary undertakings of the Group

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

	Class of share capital held	Proportion held by parent company	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%
Pipeshield International Limited	Ordinary	100%	100%
Pipeshield Company Limited	Ordinary	-	100%
Pipeshield International Trading LLC	Ordinary	-	100%
Tekmar Polyurethanes Limited	Ordinary	-	100%
Tekmar GmbH	Ordinary	-	100%
AgileTek Engineering Limited	Ordinary	-	100%
Ryder Geotechnical Limited	Ordinary	-	80%
Tekmar Marine Technology Company Limited	Ordinary	-	100%

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

Company / Country of Incorporation / Address

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

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

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

14. Inventories

	30 Sep 2021	31 Mar 2020
	£000	£000
Raw materials	2,222	2,182
Work in Progress	1,488	-
Finished goods	256	354
	3,966	2,536

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

15. Trade and other receivables

	30 Sep 2021	31 Mar 2020
	£000	£000
Amounts falling due within one year:		
Trade receivables not past due	4,861	9,049
Trade receivables past due (1-30 days)	3,192	509
Trade receivables past due (over 30 days)	3,344	296
Trade receivables net	11,397	9,854
Contract assets	5,432	14,969
Other debtors	563	1,261
Prepayments and accrued income	542	593
Derivative financial assets	37	142
	17,971	26,819

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

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

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

16. Cash and Cash Equivalents

	30 Sep 2021	31 Mar 2020
	£000	£000
Cash and cash equivalents		
Cash at bank and in hand	3,482	2,130

Cash and cash equivalents were held in the following currencies:

UK Pound	2,219	2,077
Euro	585	18
Other	678	35
	3,482	2,130

17. Trade and other payables

	30 Sep 2021	31 Mar 2020
	£000	£000
Current		
Trade payables	5,845	7,597
Tax and social security	222	545
Accruals and contract liabilities	3,054	7,868
	9,121	16,010

The fair value of financial liabilities approximates to their carrying value due to short maturities. Accruals and contract liabilities for FY20 includes £2.75m in relation to deferred consideration on the Pipeshield acquisition.

	30 Sep 2021	31 Mar 2020
	£000	£000
Non-current		
Accruals and contract liabilities	343	355
	343	355

18. Borrowing

	30 Sep 2021 £000	31 Mar 2020 £000
Current		
Trade Loan Facility	2,999	-
Lease liability	160	504
	3,159	504
Non-current		
CBILS Bank Loan	3,053	-
Lease liability	131	310
	3,184	310
Amount repayable		
Within one year	3,159	505
In more than one year but less than two years	3,141	-
In more than two years but less than three years	43	202
In more than three years but less than four years	-	45
In more than four years but less than five years	-	41
In more than five years	-	41
	6,343	814

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

	2021 (%)	2020 (%)
Average interest rates at the balance sheet date		
Lease liability	3.25	3.25
Trade Loan Facility	3.10	-
CBILS Bank Loan	2.25	-

The CBILS Bank Loan is due for maturity on 31 October 2022, The trade Loan Facility has been renewed post year end and is due for Maturity on 30 November 2022, as described in note 2b.

Lease liability

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

The asset and liability have been calculated using a 3.25% discount rate.
These leases are due to expire between March 2022 and September 2024.

Cash flows from financing activities

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

	Lease liabilities £000	Loans & Borrowings £000	Total £000
Balance at 1 April 2019	865	-	865
Changes from financing cashflows			
Payment of lease liabilities	(355)	-	(355)
Total Changes from financing cashflows	(355)	-	(355)
Other changes			
Changes arising from obtaining control of subsidiaries	48	-	48
New Leases	256	-	256
Total other changes	304	-	304
Balance at 1 April 2020	814	-	814
Changes from financing cashflows			
Proceeds from loans & borrowings	-	6,000	6,000
Payment of lease liabilities	(790)	-	(790)
Total changes from financing cashflows	(790)	6,000	5,210
Other changes			
New Leases	247	-	247
Interest expense	20	52	72
Total other changes	267	52	319
Balance at 30 September 2021	291	6,052	6,343

19. Deferred Tax

	30 Sep 2021			31 Mar 2020		
	Asset £000	Liability £000	Net £000	Asset £000	Liability £000	Net £000
At start of year	31	(500)	(469)	25	(28)	(3)
Credit to income statement	405	(30)	375	-	10	10
Credit on share based payments	(31)	-	(31)	6	-	6
Arising on acquisition	-	-	-	-	(482)	(482)
At end of year	(405)	(530)	(125)	31	(500)	(469)

The deferred tax liability relates to the following:

Accelerated capital allowances on property, plant & equipment	-	(119)	(119)	-	(34)	(34)
On intangible assets	-	(358)	(358)	-	(420)	(420)
On share based payments	-	-	-	31	-	31
Other timing differences	405	(53)	(352)	-	(46)	(46)
	405	(530)	(125)	31	(500)	(469)

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

In addition to the deferred tax liability above, the Group has additional unrecognised gross tax losses of £7,598,735 (2020: £3,941,000), hence an unrecognised deferred tax asset of £1,899,684 (2020: £749,000). 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.

20. Financial Instruments and Financial Risk Management

Financial risk management

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

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

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

Market risk

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

Currency risk

The Group contracts with certain customers in Euros, US dollars, Canadian Dollars and Chinese Yuan. It manages this foreign currency risk using forward foreign exchange contracts which match the expected receipt of foreign currency income. At 30 September 2021 this covers the period up to Jan 2022 (As at 31 March 2020 the period to May 2020).

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

	EUR £000	USD £000	CAD £000	RMB £000	Total £000
At 30 September 2021					
+5%	(79)	(132)	(132)	(223)	(566)
-5%	89	145	146	246	626
At 31 March 2020					
+5%	(488)	-	-	-	(488)
-5%	539	-	-	-	539

Liquidity risk

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

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

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

	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000
At 30 September 2021				
Borrowings	2,999	3,053	-	-
Lease Obligations	160	88	43	-
Trade and other payables	5,845	-	-	-
At 31 March 2020				
Lease Obligations	468	199	106	-
Trade and other payables	7,597	-	-	-

Interest rate risk

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

Credit risk

The Group's principal financial assets are cash and trade receivables. The credit risk associated with cash is limited, as the counterparties have high credit ratings assigned by international credit-rating agencies.

The principal credit risk arises therefore from the Group's trade receivables. In order to manage credit risk the Directors set limits for customers based on a combination of payment history and third-party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

The Directors consider that the Group's trade receivables were not impaired for the year ended 30 September 2021 or 31 March 2020 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:

	30 Sep 2021 £000	31 Mar 2020 £000
Financial assets		
Financial assets measured at amortised cost		
Trade and other receivables	17,342	26,084
Cash and cash equivalents	3,482	2,130
Financial assets measured at fair value through profit or loss		
Forward foreign exchange contracts	37	142
	20,861	28,356
Financial liabilities		
Financial liabilities measured at fair value through profit or loss		
Forward foreign exchange contracts		
Financial liabilities measured at amortised cost		
Non-current:		
Borrowings	(3,183)	(310)
Current:		
Borrowings	(3,160)	(504)
Trade payables	(5,845)	(7,597)
	(12,188)	(8,411)
Net financial assets and liabilities	8,673	19,945

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.

21. Share Capital

Nominal value	Ordinary shares £0.01 (Number)	Ordinary Share Total (£)
At 31 March 2019	50,687,852	506,879
Issued during the year	573,833	5,738
At 31 March 2020	51,261,685	512,617
Issued during the period	346,918	3,469
At 30 September 2021	51,608,603	516,086

The new shares issued during the period arose from the exercise of share options in the IPO (62,500 shares) and retention schemes (43,042 shares) (see Note 23) and the free issue of shares to employees (241,376 shares).

22. Related Party Transactions

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

During the period, Tekmar Energy Limited rented a property from a business owned by Gary Ritchie-Bland, father of James Ritchie, former CEO. Costs relating to this rental during the period were £40,000 (2020: £120,000). No amounts were due at the period end.

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

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

23. Share based payments

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

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

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

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

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

The Tekmar Group plc Retention Plan ("Retention")

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

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

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

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

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

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

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

	1 April 2020	Granted in the period	Exercised in the period	Lapsed in the period	30 September 2021 share options outstanding	Vesting period	Exercise period
Plan							
IPO Plan	1,625,000		(62,500)	(1,381,250)	181,250	2 years	10 years
SIP	42,691			(14,102)	28,589	3 years	10 years
SAYE	428,983	190,252		(186,715)	432,520	3 years	10 years
Retention	-	225,000	(43,042)	(154,125)	27,833	3 years	10 years
LTIP	-	1,294,010		(878,250)	415,760	3 years	10 years

	1 April 2019	Granted in the period	Exercised in the period	Lapsed in the period	31 March 2020 share options outstanding	Vesting period	Exercise period
Plan							
IPO Plan	1,625,000	-	-	-	1,625,000	2 years	10 years
SIP	42,691	-	-	-	42,691	3 years	10 years
SAYE	-	428,983	-	-	428,983	3 years	10 years

The weighted average share price at the date of exercise for share options exercised during the year was £0.51 (2020:£nil).

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

Plan	2021	2020
IPO Plan	7 years	8 years
SIP	7 years	8 years
SAYE	8 years	8 years
Retention Schemes	9 years	-
LTIP	9 years	-

The Group has recognised a total credit of £140,058 (2020: £454,000 expense) in respect of equity-settled share-based payment transactions in the period ended 30 September 2021. The share-based payment transactions for the IPO options have been treated as an exceptional cost in the profit and loss account. These transactions account for a £364,000 credit (2020: 454,000 expense) in the 18 month period to 30 September 2021. The remaining share based payment transactions are treated as administrative expenses £224,000 charge (2020: Nil).

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:

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

24. Post Balance Sheet Events

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

Parent Company Balance Sheet

as at 30 September 2021

	Note	30 Sep 2021 £000	31 March 2020 RESTATED £000
Non-current assets			
Investments	3	37,095	38,891
Deferred tax assets		49	60
Trade and other receivables	4	15,869	15,869
Total non-current assets		53,013	54,820
Current assets			
Trade and other receivables	4	6,655	5,320
Cash at bank and in hand		589	-
Total current assets		7,244	5,320
Total assets		60,257	60,140
Equity and liabilities			
Share capital		516	513
Share premium		64,097	64,100
Merger relief reserve		1,738	1,738
Retained earnings		(15,076)	(11,756)
Total equity		51,275	54,595
Current liabilities			
Other loans and borrowings	5	3,000	535
Trade and other payables	6	2,930	5,010
Total current liabilities		5,930	5,545
Non-current liabilities			
Other loans and borrowings		3,052	-
Trade and other payables		3,052	-
Total equity and liabilities		60,257	60,140

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 £3.156m (2020: £11.735m)

The prior year balance sheet was restated as described in note 10.

The Parent Company financial statements were approved by the Board of Directors on 24 February 2022 and were signed on its behalf by:

Derek Bulmer

Chief Financial Officer & Company Secretary
Company registered number: 11383143

Parent Company Statement of Changes in Equity

for the 18 Month Period ended 30 September 2021

	Share capital £000	Share premium £000	Merger relief reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2019	507	64,100	993	(468)	65,132
Loss for the year (Restated)	-	-	-	(11,735)	(11,735)
Total comprehensive expense for the year (Restated)	-	-	-	(11,735)	(11,735)
Issue of shares	6	-	745	-	751
Share based payments	-	-	-	447	447
Total transactions with owners, recognised directly in equity	6	-	745	447	(1,198)
Balance at 31 March 2020 (Restated)	513	64,100	1,738	(11,756)	54,595
Loss for the period	-	-	-	(3,156)	(3,156)
Total comprehensive expense for the period	-	-	-	(3,156)	(3,156)
Issue of shares	3	(3)	-	-	-
Share based payments	-	-	-	(164)	(164)
Total transactions with owners, recognised directly in equity	3	(3)	-	(164)	(164)
Balance at 30 September 2021	516	64,097	1,738	(15,076)	51,275

Notes to the parent company financial statements for the year ended 30 September 2021

1. Significant Accounting Policies

The Group has consistently applied the following accounting policies to all periods presented in these financial statements. Certain comparative amounts in the Parent company balance sheet and Parent company statement of changes in equity have been restated as a result of a correction of a prior period error (see note 10) relating to the carrying value of investments.

Basis of preparation

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

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

Reporting framework

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

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

- The following paragraphs of IAS 1 “Presentation of Financial Statements”
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 111 (cash flow statement information); and
 - 134-136 (capital management disclosures)
- IFRS 7 “Financial Instruments : Disclosures”;
- IAS 7 “Statement of Cash Flows”;
- IAS 24 (paragraphs 17 and 18a) “Related Party

- Disclosures” (key management compensation)
- IAS 24 “Related Party Disclosures” – the requirement to disclose related party transactions between two or more members of a Group; and
- IAS 8.30 – the requirement to disclose accounting standards issued but not effective.

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

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

Parent Company profit and loss account

The Company has not presented its own profit and loss account as permitted by Section 408 of the Companies Act 2006. The Company’s loss after taxation for the period was £3.156m (2020: £11.735m).

Dividend distribution

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

Investment in subsidiary undertakings

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

Deferred taxation

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

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates

enacted or substantively enacted at the balance sheet date.

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

Share-based payments

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

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

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

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

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

Share capital

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

Cash and cash equivalents

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

Financial assets classification

The Company classifies its financial assets as loans and receivables. Management determines the classification

of its financial assets at initial recognition.

Loans and receivables

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

Impairment of financial assets

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

Financial liabilities

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

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

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

Critical accounting estimates

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

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

(a) Critical accounting estimates**Impairment of non-current assets**

The carrying amount of the company's investments in subsidiaries for the prior year have been restated following the identification of a prior period error.

During 2021, the Company discovered that the weighted average cost of capital (WACC) used in the investment carrying value impairment review had been erroneously calculated and applied. On recalculation, the WACC applied in the impairment calculation should have been 11.6% as opposed to the 8.1% used in the prior year financial statements.

Had the correct WACC been correctly applied, the carrying value of the investment in Tekmar Limited would have exceeded the value in used calculation by £10,885,000, resulting in an impairment. The prior period error has been corrected in line with IAS 8, see note 10 for further details. This does not create an impairment to group goodwill.

The carrying amount of the Company's investments in subsidiaries £37,095,000 as at 30 September 2021 (2020: £38,891,000 restated). 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 four year forecast with a compound average growth rate over the 4 year period of 15.5%. 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 12.1%.

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

The value in use calculations described above for Tekmar Limited indicated that the recoverable amount was below the carrying value at the period-end by £2,048,000. As a result, an impairment charge of £2,048,000 has been recognised in FY21.

2. Remuneration of Directors and Auditors

Details of Directors' remuneration are shown in the Directors' Remuneration Report on page 62 of the Group financial statements. Details of auditor remuneration are shown in note 8 of the Group financial statements.

3. Investments in subsidiary undertakings

	30 Sep 2021 £000	31 Mar 2020 Restated £000
Investment in subsidiaries	36,745	38,793
Capital contribution related to share-based payments for subsidiaries	350	98
	37,095	38,891

The carrying amount of the company's investments in subsidiaries for the prior year have been restated following the identification of a prior period error.

During 2021, the Company discovered that the weighted average cost of capital (WACC) used in the investment carrying value impairment review had been erroneously calculated and applied. On recalculation, the WACC applied in the impairment calculation should have been 11.6% as opposed to the 8.1% used in the prior year financial statements. Had the correct WACC been correctly applied, the carrying value of the investment in Tekmar Limited would have exceeded the value in used calculation by £10,885,000, resulting in an impairment. The prior period error has been corrected in line with IAS 8, see note 10 for further details.

The carrying amount of the Company's investments in subsidiaries £37,095,000 as at 30 September 2021 (2020: £38,891,000 restated).

At the period-end management reviewed the carrying value of the Investments for Impairment. The investment relates to 3 companies being Tekmar Limited (which owns Tekmar Energy Limited and Agiletek Engineering Limited), Subsea Innovation Limited and Pipeshield International Limited.

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 four year forecast with a compound average growth rate over the 4 year period of 15.5%, with subsequent years based on a reduced growth rate of 2.0% into perpetuity.

The discount rate used was the Group's pre-tax WACC of 12.1% estimated using a weighted average cost of capital adjusted to reflect current market assessment of the time value of money and the risks specific to the group.

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

The value in use calculations described above for Tekmar Limited indicated that the recoverable amount was below the carrying value at the period-end by £2,048,000. As a result, an impairment charge has been recognised in FY21.

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

	Class of share capital held	Proportion held by parent company	Carrying Value FY21	Carrying Value FY20 (Restated)
Tekmar Limited	Ordinary	100%	27,505	29,553
Subsea Innovation Limited	Ordinary	100%	2,066	2,066
Pipeshield International Limited	Ordinary	100%	7,174	7,174
Total			36,745	38,793
Capital contribution related to share-based payments for subsidiaries			350	98
Total Investment in subsidiaries			37,095	38,891

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

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

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
Pipeshield International Limited	Design and manufacture of subsea asset protection

4. Trade and other receivables

	2021 £000	2020 £000
Amounts owed by Group undertakings - non-current	15,869	15,589
Amounts owed by Group undertakings - current	6,578	5,248
Prepayments and accrued income - current	77	72
Total - Current	6,655	5,320
	22,524	20,909

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 they are assessed to be immaterial.

5. Borrowings

	2021 £000	2020 £000
Current		
Trade Loan Facility	3,000	-
Bank overdraft	-	535
	3,000	535
Non-current		
CBILS Loan Facility	3,052	-
	6,052	535
Amount repayable		
Within one year	3,000	535
In more than one year but less than two years	3,052	-
	6,052	535

The above carrying values of the borrowings equate to the fair values. The trade loan facility is provided at interest rate of 2.15% over base rate pa and is available to the Company until 30 November 2022. The CBILS loan facility is provided at interest rate of 1.5% over base rate pa and is available to the Company until 31 October 2022.

6. Payables: amounts falling due within one year

	2021 £000	2020 £000
Trade payables	81	93
Amounts due to Group undertakings	2,408	2,007
Other taxation and social security	48	84
Accruals and deferred income	393	76
Deferred consideration	-	2,750
	2,930	5,010

All of the amounts owed to Group undertakings shown above are repayable on demand. Deferred consideration in 2020 relates to the Pipeshield acquisition. A payment of £1.5m was paid on 9 April 2020 and a payment of £1.25m was paid on 9 October 2020.

7. Share Capital

Details of movements in shares are set out in note 21 to the Group financial statements.

8. 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.

9. 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 23 to the Group financial statements. Further details of the arrangements for senior executives can be found in the Directors' Remuneration Report in the Group financial statements.

The Company recognised total credit of £446,030 in respect of the equity-settled share-based payment transactions in the period ended 30 September 2021 (2020 £332,000).

10. Correction of material prior period errors

During 2021, the Company discovered that the weighted average cost of capital (WACC) used in the investment carrying value impairment review had been erroneously calculated and applied. On recalculation, the WACC applied in the impairment calculation should have been 11.6% as opposed to the 8.1% used in the prior year financial statements.

As a consequence, the carrying value of investments have been overstated in the prior period. The errors have been corrected by restating each of the affected financial statement line items for prior periods. The following tables summarise the impacts on the Parent Company's financial statements:

	31 Mar 2020 As previously reported £000	Adjustments	31 March 2020 RESTATED £000
Non-current assets			
Investments	49,776	(10,885)	38,891
Deferred tax assets	60	-	60
Trade and other receivables	15,869	-	15,869
Total non-current assets	65,705	(10,885)	54,820
Current assets			
Trade and other receivables	5,320	-	5,320
Cash at bank and in hand	-	-	-
Total current assets	5,320	-	5,320
Total assets	71,025	(10,885)	60,140
Equity and liabilities			
Share capital	513	-	513
Share premium	64,100	-	64,100
Merger relief reserve	1,738	-	1,738
Retained earnings	(871)	(10,885)	(11,756)
Total equity	65,480	(10,885)	5,595
Current liabilities			
Other loans and borrowings	535	-	535
Trade and other payables	5,010	-	5,010
Total current liabilities	5,545	-	5,545
Non-current liabilities			
Other loans and borrowings	-	-	-
Trade and other payables	-	-	-
Total equity and liabilities	71,025	(10,885)	60,140

The loss for the prior year has been restated as a result of the impairment of investments from £850k loss to £11,735k loss.

11. Post balance sheet events

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

Annual General Meeting

The AGM will be held at 10am on 29 March 2022 at Innovation House, Centurion Way, Darlington, DL3 0UP. The Notice of Meeting will be separately distributed to shareholders.

Advisors

Nominated Adviser and Joint Broker

Singer Capital Markets
1 Bartholomew Lane
London
EC2N 2AX
United Kingdom

Joint Brokers

Joh. Berenberg, Gossler & Co. KG,
London Branch
60 Threadneedle Street
London EC2R 8HP

Legal Advisers to the Company

Singer Capital Markets
1 Bartholomew Lane
London
EC2N 2AX

Muckle LLP
Time Central
32 Gallowgate
Newcastle upon Tyne NE1 4BF

Auditors

Grant Thornton
No 1 Whitehall Riverside
Leeds
LS1 4BN

Registrars

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

Investor Relations & PR Advisers to the Company

Bamburgh Capital Limited
10th Floor, Chancery Place
50 Brown Street
Manchester
M2 2JT

Financial calendar

29 March 2022 - Annual General Meeting

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

AIM the AIM market of the London Stock Exchange

Board the board of Directors of the Company

CAGR Compounded Annual Growth Rate

CBILS Coronavirus Business Interruption Loan Scheme

CFD Contracts for Difference

CGU Cash Generating Unit

CPS Cable Protection System

EEA European Economic Area

EIP Executive Incentive Plan

ESG Environmental, Social, and Governance

EU European Union

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

FID Final Investment Decision

FRC Financial Reporting Council

FY Financial Year

Group means the Company and its subsidiaries

GW Gigawatt, a unit of power

IFRS International Financial Reporting Standards

IPO Initial Public Offering

ISA International Standards on Auditing

LCOE Levelised Cost of Energy

LTIP Long Term Incentive Plan

QCA the Quoted Companies Alliance

QCA Code the QCA Corporate Governance Code published in 2018

SAYE Sharesave plan

SDG Sustainable Development Goals

SECR Streamlined Energy and Carbon Reporting

SIP Share Incentive Plan

TRL Technology Readiness Level

UKEF UK Export Finance



Innovation House
Centurion Way
Darlington
DL3 0UR
United Kingdom

E: investors@tekmar.co.uk
W: investors.tekmar.co.uk