ANNUAL REPORT
2020

OTAQ plc (Formerly Hertsford Capital plc)

Company Registration No. 1429299

From aquaculture to offshore energy, OTAQ delivers and supports world class marine technology products.

Innovation, experience and quality are the values at the heart of everything we do and have earned us the trust of our customers across the globe.

The Directors' present their strategic report for the Group for the year ended 31 March 2020. Results in this report refer to the year ended 31 March 2020, with comparative figures for the year ended 31 March 2019. However, the company – known as Hertsford Capital plc at the time – had a year-end of 30 June and presented accounts for its non-trading period as a cash shell, to 30 June 2019. This means that the prior year figures relating to share capital, share premium and the reverse acquisition reserve are unaudited.

The company changed its name from Hertsford Capital plc to OTAQ plc on 24 June 2020.

Financial highlights

Group	2019/20 £'000	2018/19 £'000	Change %
Revenue	**3,420**	1,577	117
Gross profit	**1,964**	902	118
Adjusted operating loss*	**(339)**	(343)	1
Adjusted EBITDA**	**451**	50	802
Adjusted earnings per share**	**1.5p**	n/a	n/a
Net cash/(debt)***	**2,859**	(317)	1,002

* Adjusted operating profit is reconciled from the statutory operating loss per the consolidated statement of comprehensive income as follows:

	2019/20 £'000	2018/19 £'000
Operating loss	**(898)**	(343)
Share option charge	**559**	–
Adjusted operating loss	**(339)**	(343)

** EBITDA (earnings before income, tax, depreciation, share option charges and amortisation) is reconciled from the statutory operating loss per the consolidated statement of comprehensive income as follows:

	2019/20 £'000	2018/19 £'000
Operating loss	**(898)**	(343)
Share option charge	**559**	–
Amortisation of intangible assets	**163**	56
Impairment of goodwill	**28**	–
IFRS16 depreciation	**20**	–
Depreciation on property, plant and equipment	**579**	337
Adjusted EBITDA	**451**	50

Earnings per share of 1.5p is calculated using the adjusted EBITDA of £451,000 divided by shares in issue at year end.

*** Net cash is reconciled from the statutory cash position per the consolidated statement of financial position as follows:

	2019/20 £'000	2018/19 £'000
Cash and cash equivalents	**4,087**	368
Non-current lease liabilities	**(214)**	–
Current lease liabilities	**(78)**	–
Current financial liabilities	**(487)**	(321)
Current deferred payment for acquisition	**(232)**	(418)
Non-current deferred payment for acquisition	**(273)**	–
Income tax asset	**56**	37
Net cash/(debt)	**2,859**	(334)

www.otaq.com

Operational highlights

Achieved strong revenue and gross margin growth across the business

Net cash position of £2.9m against £0.3m net debt in the prior year

£12.4m acquisition of OTAQ Group through reverse takeover

Acquisition of Link Subsea Limited (subsequently renamed to OTAQ Connectors Limited)

Core product SealFence grew customer rental revenue by 32% during the period

Long term rental contracts and recurring monthly purchase orders underpin high levels of visibility

Focused on broadening reach via R&D and currently developing biomass measurement and bloom and plankton detection systems

Strategic Report

Corporate Governance

Financial Statements

Company registration number
11429299

Directors
Hon. A R Hambro
Ms S E Gills
Mr P D Newby (appointed 31 March 2020)
Mr W G Watt (appointed 31 March 2020)
Mr M J Enright (appointed 26 June 2020)
Mr S H Walters (appointed 31 March 2020, resigned 26 June 2020)
Mr R Sargent (resigned 31 March 2020)
Mr H A Hyman (resigned 31 March 2020)

Secretary
Mr M Enright (appointed 26 June 2020)

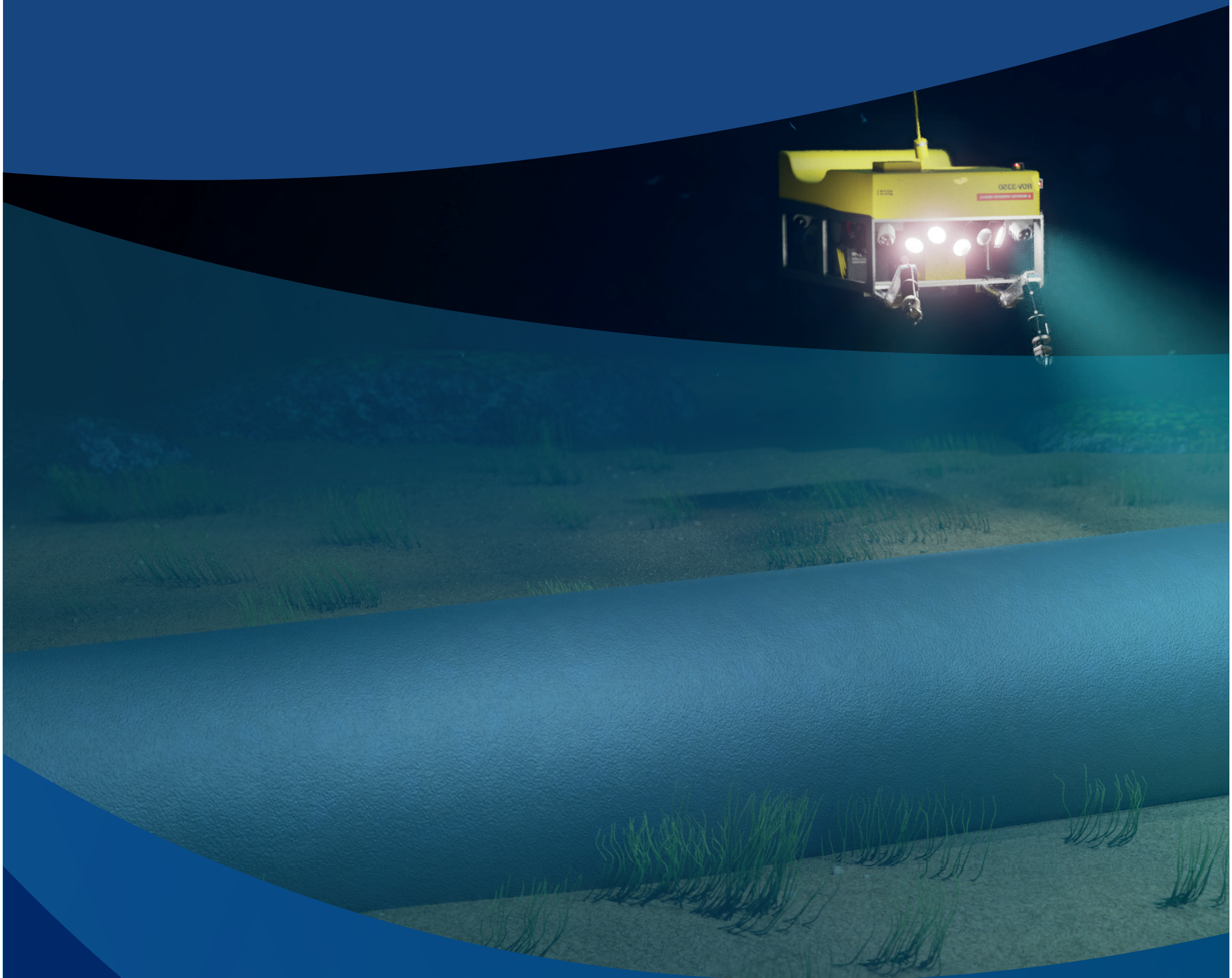
Registered office
8-3-4 Harpers Mill, South Road, White Cross, Lancaster LA1 4XF, England

Auditor
RSM UK Audit LLP, 9th Floor, 3 Hardman Street, Manchester M3 3HF

Nominated adviser and broker
Dowgate Capital Limited, 15 Fetter Lane, London EC4A 1BW

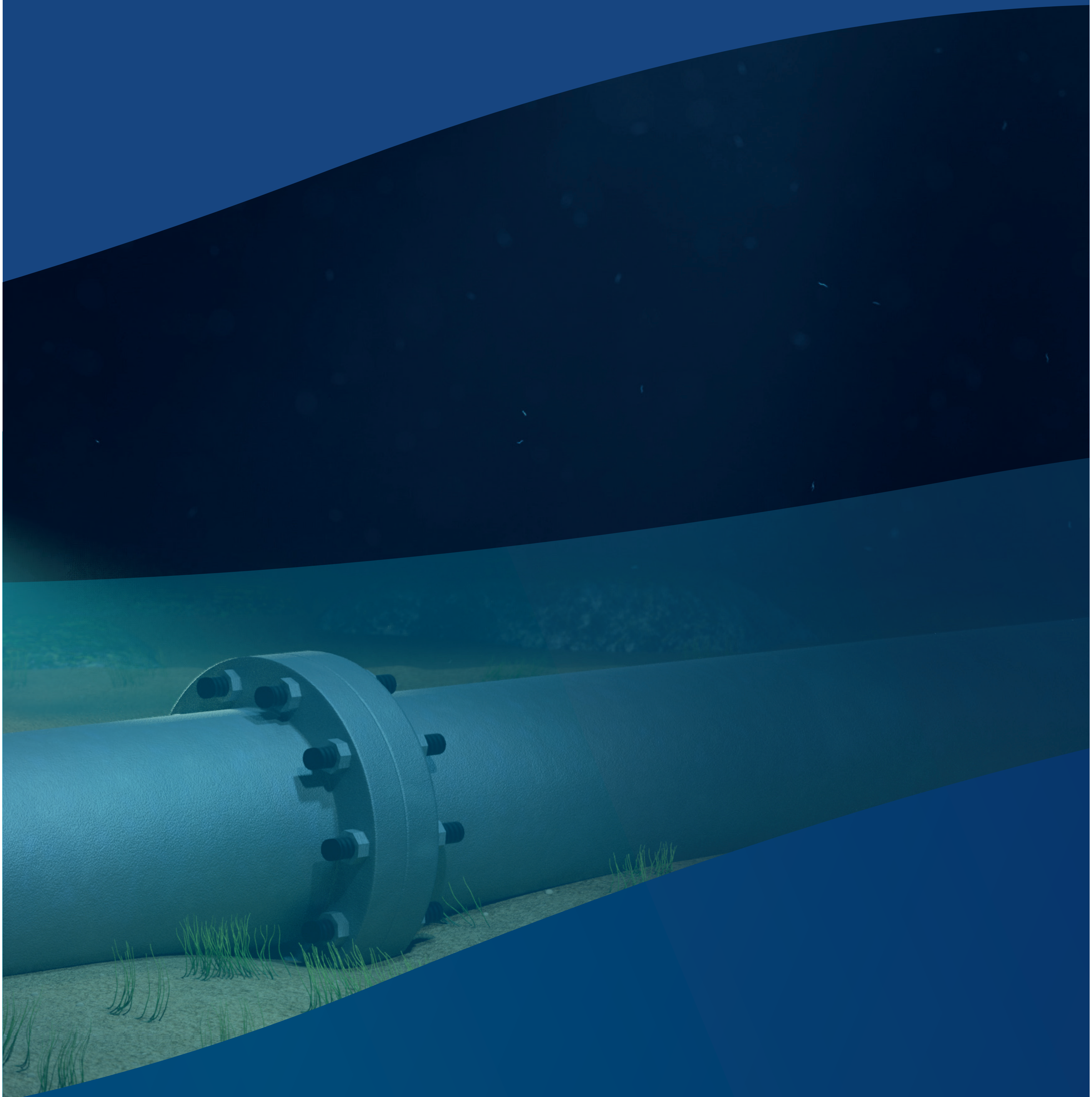
Solicitors
CMS Cameron McKenna Nabarro Olswang LLP,
1 West Regent Street, Glasgow G2 1AP

STRATEGIC REPORT



OTAQ OFFSHORE

OTAQ Offshore are experts in underwater leak detection, laser measurement and video processing technologies for offshore industries around the globe. OTAQ Offshore was formed after the acquisition of Marinesense Ltd, who developed the industry standard leak detection system Oceansense as well as laser measurement systems and underwater cameras.



In this section

CHAIRMAN'S STATEMENT

I am delighted to present my first Chairman's Statement of OTAQ plc, formed by the reverse takeover of Hertsford Capital plc by OTAQ Group Limited on 31 March 2020. The Company changed its name from Hertsford Capital plc to OTAQ plc on 24 June 2020.

Prior to the reverse transaction, the Company had been a cash shell, listed on the Main Market of the London Stock Exchange and had been seeking an acquisition with a technology focus since its formation in November 2018. The merger accounting methodology used assumes that the share capital and share premium are those of Hertsford Capital plc for comparative purposes with the reverse acquisition reserve being created as a result. All other results are those of OTAQ Group Limited prior to acquisition. This is fully in accordance with IFRS3 which relates to accounting for business combinations.

Strategy

The strategy of the Group is to build a business of significance within the aquaculture industry focussed on helping salmon producers and farmers of other aquatic species to become more productive by helping them overcome environmental challenges in their operations. Over time, the Group intends to have a range of products designed to meet these needs that are based on a common infrastructure and a cloud-based information system. The strategy is to design, develop, install and support these systems on an Infrastructure as a Service ('IaaS') basis on long-term rental contracts.

The Group's core aquaculture product, SealFence, significantly improves yields for the salmon farming industry by reducing the frequency of predator attacks using acoustic technology. SealFence accounts for the majority of revenues with the combination of 24-month and 48-month rental contracts and recurring monthly purchase orders underpinning strong earnings visibility. During the last 12 months the number of units deployed has grown 20% from 962 to 1,156.

Other products in the Group's portfolio include a range of sub-sea cameras, laser measuring devices, leak detection systems and high integrity electrical connectors for use in the offshore oil & gas market, which form the Group's Offshore and Connectors divisions. The Group is also focused on broadening its reach via R&D and is currently developing biomass measurement and bloom and plankton detection systems.

In addition, the Group will continue to look to acquire small and medium-sized marine technology companies, and to finance any acquisition, ideally, through existing cash resources or bank borrowings. We are highly selective in acquiring businesses with either sustainable profits or with nascent technology that can be applied to our marine-based systems to create a future profitable revenue stream. It is paramount that acquisitions are completed only when the Company is satisfied that the target business has sound underlying strength.

The global aquaculture market remains robust and the sector's long-term growth drivers provide comfort that the Group will deliver durable returns for shareholders. Long-term market drivers are rooted in the global consumer demand for salmon as a food substance and the need for increased farming efficiencies to maximise farming yields. Medium and long-term demand may be enhanced by increasing regulatory requirements.

Our team

I would like to welcome the new directors who joined the Board and all the OTAQ employees to the new Group and am confident our new colleagues will continue to deliver successful growth for the shareholders. I also take this opportunity to thank the directors involved with the formation of Hertsford Capital who stood down from its board on completion of the OTAQ transaction in March.

The executive team and all employees within the Group worked hard in 2019 and 2020 to produce these results and achieve the successful reverse listing – a process that is inevitably distracting from the normal business activities. The Board and, I am sure, our shareholders are grateful to all our colleagues for the efforts that have delivered such a positive performance and in particular their flexibility in coping with the difficult working conditions currently prevailing.

Alex Hambro
Chairman
24 July 2020

THE GLOBAL AQUACULTURE MARKET REMAINS ROBUST AND THE SECTOR'S LONG-TERM GROWTH DRIVERS PROVIDE COMFORT THAT THE GROUP WILL DELIVER DURABLE RETURNS FOR SHAREHOLDERS.

SealFence

OTAQ Aquaculture's core product is SealFence; an acoustic deterrent system designed to deter seals and sea lions from attacking marine fish farms. SealFence uses a network of underwater transducers around a farm to transmit a unique, ultrasonic sound which seals and sea lions find unpleasant when they are close to the farm, but does not affect fish or other types of marine mammal in the area.

CHIEF EXECUTIVE'S REPORT

Review of the period

The enlarged Group achieved encouraging year-on-year growth in revenue, SealFence unit rentals, and adjusted pre-tax profit, as measured by our preferred measure of adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (underlying adjusted EBITDA). On 29 April 2019, the Group completed the acquisition of Link Subsea Limited (subsequently renamed OTAQ Connectors Limited) and completed a placing of new shares contemporaneously with the reverse-takeover on 31 March 2020. This enabled the Group to report a net cash position of £2.9m at year-end.

The growth in the business over the course of the financial year was attributable to the acquisition of OTAQ Connectors Limited and a full year of revenue contribution from the prior-year acquisition of Marinesense Limited (subsequently renamed OTAQ Offshore Limited). The organic growth in the aquaculture businesses was also a key driver and the results achieved provide a solid framework for future organic growth in this division. Demand for the Group's SealFence systems remains robust with Covid-19 disruptions and exchange rates having had little impact on demand so far.

Revenue

Group revenue for the year ended 31 March 2020 increased from £1.58 million to £3.42 million, an increase of 117%. This reflects organic* growth (which was largely due to the increased rental of SealFence units in the Aquaculture division) of 73% and a contribution of £0.70m from OTAQ Connectors, which was acquired on 29 April 2019. Group revenue benefitted from a full year of revenue from OTAQ Offshore which was acquired on 23 November 2018, where revenue increased to £0.62m for the year ended 31 March 2020 from £0.14m in the four months from acquisition to 31 March 2019.

The Group continues to grow globally with revenue in Chile now representing 9% of total revenue. Other European countries account for 6% of total revenue and the rest of the world for 8% of total revenue.

Profit

Adjusted operating loss improved by 1% to £339,000 (2019: loss £343,000). Organic* gross profit was up 100% to £1.80m; all Group businesses showed excellent progress. OTAQ Aquaculture Limited – formerly known as OTAQ Limited, the main trading subsidiary of the Group – contributed a 180% increase in gross profit over the year to 31 March 2020 and represents 52% of Group gross profit. The performance of this subsidiary is driven by increased rentals of SealFence units in the UK in the year.

The Group has continued to invest in the development of new products and improvement of existing products. Investment in research and development, capitalised as development costs, amounted to £0.38 million in the year to 31 March 2020 (2019: £0.23 million), equivalent to 11% of Group revenue (2019: 15%).

The Group incurred a number of exceptional charges in the year including £1.05m relating to the costs of re-listing, the reverse takeover of Hertsford Capital plc and placing of new shares, and £0.66m for the share-based payment charge as a result of listing relating to the Hertsford Capital plc acquisition. These are one-off costs that will not be repeated.

A share option charge of £0.56m was incurred during the year; the need for ongoing charges relating to share options will be reviewed as share options change.

New contracts and order intake

The award of new contracts and development of those contracts was positive with strong momentum behind the aquaculture business both in the UK and in Chile. However, Chile was impacted by social unrest in that country in 2019 although this now appears to have subsided.

Consequently, the number of seal units on rental in Chile increased from 84 at the end of March 2019 to 142 at the end of March 2020. Order intake and rentals in the Offshore and Connectors business were in line with expectations, with Offshore having a solid first full year and Connectors performing in line with expectations following the April 2019 acquisition.

Dividends

The Board is not recommending a final dividend.

Trading environment

The long-term fundamentals supporting demand for aquaculture products remain positive. The North Sea oil market in which OTAQ Offshore operates is experiencing a period of reduced activity in line with the reduction in oil prices. Market demand for the aquaculture market is being driven primarily by demand for improved salmon farming efficiencies.

The short-term variables in the Group's growth strategy are predominated by customer behaviour and, to a lesser extent, the behaviour of governments regulating the salmon farming industry. However, the long-term contract rental model in the aquaculture businesses provides visibility and stability to an extent. In non-aquaculture areas, the businesses are impacted more by customer behaviour as well as normal industry economics.

Despite 23% percentage of the Group's revenue being generated overseas, exchange rates have only a minor influence on the Group's business: OTAQ's supply costs are largely denominated in Sterling and most of its revenue is invoiced in Sterling with less than 10% of revenue invoiced in different currencies. The currency movements in the run-up to the Brexit vote and since have had only an immaterial influence on our margins and our competitiveness.

In June 2020, the Group announced a strategic alliance with Minnowtech LLC, an innovative aquaculture technology company that provides an imaging platform to enable shrimp farmers to measure shrimp abundance to optimise feeding. With this new alliance with Minnowtech LLC, the Group is broadening its reach into innovative technologies to help farmers grow other species such as shrimp.

Acquisitions

As a buy-and-build group, the acquisition of new businesses is a key feature of Group strategy. Executing this effectively is required to ensure that long-term value is generated for shareholders, as we are highly selective in relation to both the acquisition price paid and the long-term quality of any potential addition to our Group.

The industries in which we operate contain a multitude of start-ups and small niches that are potentially complementary to the strategy of the Group. The Group has demonstrated expertise at executing a number of acquisitions and integrating them into the Group successfully.

On 29 April 2019, the Group acquired 100% of the share capital of Link Subsea Limited ("Link Subsea"), subsequently renamed OTAQ Connectors Limited, for a cash consideration of £642,000 and share consideration of £66,000 with a deferred consideration of £25,000 in shares and £87,000 in deferred cash.

In May 2019, agreement was reached to purchase an additional 10% of OTAQ Chile. On 21 February 2020, agreement was reached to acquire the remaining 10% of OTAQ Chile in exchange for shares. As a result, the Group's percentage holding in OTAQ Chile increased from 80% at 31 March 2019 to 100% at 31 March 2020.

Innovation

The Group's growth strategy is also focused on designing, developing and launching new products, with current focus on active measurement of salmon weight and biomass measurement, algae bloom detection, plankton detection as well as improved Acoustic Deterrent Devices (ADDs). Development work for the Live Plankton Analysis System (LPAS) is currently underway and is focused on automating a highly labour-intensive function for farmers. The Biomass system is aimed at providing farmers with average weight data in real time. This would enable the industry to become more intelligent in its feeding operations and have greater insight into harvesting in response to market conditions

Current trading and prospects

This was an extremely busy period for the Group as it strengthened its position within the aquaculture industry and developed further growth opportunities. We are excited by the potential afforded via our core product SealFence and see scope for continued growth given the market dynamics. With an established product and client base in place and highly visible revenue streams alongside a growing geographic reach and product portfolio we envisage further exponential growth in the medium to long term.

It's worth noting that several months into the new financial year, the impact of the Covid-19 pandemic is apparent. The Group started the year with the visibility provided by a long-term contract rental model for aquaculture and a good order book in our other businesses. Travel and business development activities have been restricted as the Group chases growth in this market and as a result some territories are not progressing as quickly as would otherwise have been the case. However, new orders are being placed and new contracts finalised.

OTAQ Offshore has been more heavily impacted by reduced activity in the North Sea oil fields. The next few months will remain unpredictable as working life adjusts to the Covid-19 pandemic. We are ensuring that our businesses take all necessary precautions, in line with government guidelines, and of course we hope that our sites and employees will remain safe and that operations are unaffected. It is impossible, at this stage, to quantify any impact on current year trading as the duration of the pandemic is unpredictable; the only guidance your Board can provide is that the impact will be limited if the outbreak lasts only a short time, and trade should grow significantly thereafter.

In any event, your directors believe that the Group will only be affected temporarily and that with its robust financial position, its ability to conduct its business model will remain intact.

Phil Newby
Chief Executive
24 July 2020

WITH AN ESTABLISHED PRODUCT AND CLIENT BASE IN PLACE AND HIGHLY VISIBLE REVENUE STREAMS ALONGSIDE A GROWING GEOGRAPHIC REACH AND PRODUCT PORTFOLIO WE ENVISAGE FURTHER EXPONENTIAL GROWTH IN THE MEDIUM TO LONG TERM.

* "Organic" in this report describes the performance of the Group excluding OTAQ Connectors, acquired since 1 April 2019.

CHIEF FINANCIAL OFFICER'S REPORT

The strategy of the Group is to build a business of significance within the aquaculture industry with the key financing requirements being to ensure there is sufficient resource to acquire additional SealFence units and sufficient resource to fund new product development.

The Group's Key Performance Indicators are aligned to revenue, profits and ensuring sufficient cash flow to deliver future growth. These three measures were in line with targets in the year to 31 March 2020.

Basis of presentation

Results in this report refer to the year to 31 March 2020, with comparative figures for the year to 31 March 2019. However, the company – known as Hertsford Capital plc at the time – had a year-end of 30 June and presented accounts for its non-trading period as a cash shell, to 30 June 2019.

The merger accounting methodology used assumes that the share capital and share premium are those of Hertsford Capital plc for comparative purposes with the reverse acquisition reserve being created as a result. All other results are those of OTAQ Group Limited prior to acquisition. This is fully in accordance with IFRS3 which relates to accounting for business combinations.

Revenue

Group revenue increased by 117% to £3.42 million compared with £1.58 million in the prior year with organic growth, adjusted for acquisitions in the year, of 73%. Revenue growth benefitted from the acquisition of Link Subsea Limited (subsequently renamed to OTAQ Connectors Limited) in April 2019 and the acquisition of Marinesense Limited (subsequently renamed to OTAQ Offshore Limited) in November 2018.

Across our three business units, Aquaculture revenues increased by £0.68m to £2.09 million with OTAQ Offshore contributing £0.62m (2019: £0.14m) to revenue and OTAQ Connectors making up the balance of £0.70m (2019: nil).

Profits

The preferred measure of assessing profits for the Group is explained below:

	2019/20 £'000	2018/19 £'000
Operating loss	**(898)**	(343)
Share option charge	**559**	-
Amortisation of intangible assets	**163**	56
Impairment of goodwill	**28**	-
IFRS16 depreciation	**20**	-
Depreciation on property, plant and equipment	**579**	337
Adjusted EBITDA*	**451**	50

* Earnings before income, tax, depreciation, share option charges and amortisation.

Adjusted EBITDA grew strongly to £0.45 million from £0.05m in 2019. This improvement was driven by the overall revenue growth across all three business units with good cost control in each of them. The adjusted EBITDA profit margin improved to 13% from an adjusted EBITDA operating profit margin of 3% in 2019.

Statutory operating losses increased to £2.65 million (2019: £0.37 million), and statutory loss before tax was £2.76 million compared to £0.37 million in 2019.

Adjusting items

The total pre-tax adjusting items recorded in the year to 31 March 2020 were £2.27 million (2019: nil). This relates to associated goodwill relating to the reverse takeover written off, being a charge of £0.66m, £0.56m for non-cash share options granted in March 2020 and £1.05 for fees relating to the placing of new shares and the reverse takeover of OTAQ Group on 31 March 2020.

In addition to this were depreciation and normalised amortisation costs of £0.58 million and £0.16m, goodwill written off of £0.03m and IFRS16 depreciation of £0.02m: Including ne finance costs of £0.16m, this fully explains the variance between OTAQ adjusted operating profit of £0.45m and the statutory retained loss of £2.76m.

Finance costs

Net finance costs totalled less than £0.16m and related to the shareholder loan balance of £0.49m, which was fully repaid in April 2020, and the unwinding of a discounting charge on deferred shares issued in the year.

Taxation
As the Group remains in a statutory loss-making position, there is no overall Group tax charge. The Group continues to benefit from research and development tax credits which accounts for the majority of the £0.11m tax credit in the year.

Earnings and losses per share
Adjusted basic earnings per share were 1.5p with no meaningful comparison with prior year available as Hertsford Capital plc was a non-trading cash shell as at 31 March 2019. This is based on the adjusted EBITDA value of £0.45m divided by the number of shares at 31 March 2020, being 30,548,599.

Statutory basic losses per share were 8.3p and statutory diluted losses per share totalled 7.8p. These are calculated using the weighted average number of shares in existence during the year.

New accounting standard
From 1 April 2019, the Group adopted the new accounting standard IFRS 16 Leases, which meant that the original method of accounting for leases as a rental charge has been replaced with a combination of depreciation from right-of-use leased assets and an interest charge from right-of-use lease liabilities.

The overall impact of the new standard on results for the year to 31 March 2020 is to increase depreciation by £20k and decrease rental lease charges by £20k.

In relation to the impact of the new standard on the balance sheet, a right-of-use asset of £0.31m was recognised with an offsetting right-of-use lease liability. The cashflow statement was also impacted as lease repayments are now treated as a financing activity instead of within operating cashflows. This has resulted in Cash generated from operations increasing by £0.02 million and cash outflows from financing activities increasing by £0.02 million. There is no overall impact on total cashflow, but the new standard has created a small artificial improvement to the Group's cash conversion as explained below in the Cashflow section of this report. There is no change to the prior year comparatives as this standard was implemented prospectively from 1 April 2019.

Return on Capital
The Group intends to report on capital returns once sustained profitability has been achieved. Whilst capital returns are monitored currently, it is a not a key performance or key results measure given the Growth's high revenue growth and current statutory loss-making position. The placing on the main listing on the London Stock Exchange and the reverse takeover on 31 March 2020 also mean key capital was only acquired on the last day of the financial year and so return on capital measures would not be meaningful.

Dividends
No dividends have been paid in the year and no dividend is recommended. As the Group is in a high-growth phase with the associated capital expenditure requirements for SealFence units, it is expected that cash resources will be retained to deliver the growth as quickly as possible.

Headcount
The Group's number of employees for 2020 stood at 36 (2019: 15). The change in staff numbers during the year was due to the growth of the business as well as the acquisitions of OTAQ Connectors Limited (formerly Link Subsea Limited and a full year of OTAQ Offshore Limited (formerly Marinesense Limited).

Share capital and share options
The Group's issued share capital at 31 March totalled 30,548,599 Ordinary shares (2019: 32,000,005). As part of the reverse takeover on 31 March 2020, the share capital was consolidated on 27 March 2020 from 32,000,005 at a nominal value of 3p to 6,400,001 with a nominal of value of 15p. On 31 March 2020, there was an issue of new shares totalling 24,148,598 at a nominal value of 15p.

Share options issued on 9 March 2020 totalled 1,481,912 with the total share options in issue at the year-end totalling 1,481,912.

Warrants totalling 1,600,000 in place at 30 June 2019 were consolidated into Warrants totalling 320,000 following the consolidation of the Hertsford Capital share capital on 27 March 2020.

Cashflow and net cash
This year's improved performance resulted in cash generated from operations of £0.87 million (2019: £0.41 million). The Group's conversion of profit into cash was 25.3% (2019: 26.3%). Total capital expenditure and amounted to £0.50 million (2019: £1.19 million).

Year-end cash balances totalled £4.09 million compared to £0.37 million in 2019. The Group finished 2020 with net cash of £2.86 million compared to £0.30 million of net debt at the end of 2019 as reconciled below:

	2019/20 £'000	2018/19 £'000
Cash and cash equivalents	**4,087**	368
Non-current Lease liabilities	**(214)**	–
Current lease liabilities	**(78)**	–
Current financial liabilities	**(487)**	(321)
Current deferred payment for acquisition	**(232)**	(418)
Non-current deferred payment for acquisition	**(273)**	–
Income tax asset	**56**	37
Net cash/(debt)	**2,859**	(334)

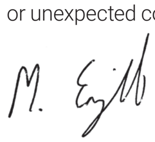
The increase resulted from the 31 March 2020 placing of new shares for £1.50m less reverse takeover and listing costs of £1.05m. Shareholder loans were received during the year of £0.18m and the Group repaid £0.49m of shareholder loans in April 2020. The reverse takeover of Hertsford Capital plc contributed £2.60m of cash balances.

Assets
Total current assets at 31 March 2020 were £5.87m compared to total current assets of £1.42m at 31 March 2019. The key improvement during the year relates to the increase in cash balances to £4.09m from £0.37m. Inventories have increased to £0.97m from £0.54m but have decreased to 28% of revenue from 34% of revenue in the prior year.

Total liabilities have increased from £2.16m at 31 March 2019 to £3.58m at 31 March 2020. This increase relates to trade payables of £2.21m (2019: £1.32m) which includes additional balances relating to the reverse takeover on 31 March 2020. IFRS16 lease liabilities recognised on adoption of the new standard have results in an additional £0.29m total liability.

Following the reverse takeover and placing of new shares on 31 March 2020, the Group's financial position is strong and will adequately support future organic growth and new product development.

Summary
The newly-amalgamated Group will begin the new financial year in a strong position with key SealFence long-term rental contracts in place, healthy cash resources and a strong balance sheet. This will help to underpin the Group's strategy for growth and allow contingency for possible economic downturns related to the ongoing Covid-19 pandemic or unexpected consequences of the results of the Brexit negotiations.



Matt Enright
Chief Financial Officer
24 July 2020

DIRECTORS' DUTY TO PROMOTE THE SUCCESS OF THE GROUP

As required by Section 172 of the Companies Act 2006, a director of a company must act in the way that he or she considers, in good faith, would likely promote the success of the company for the benefit of its shareholders.

In doing so, the director must have regard, among other matters, to the following issues:

- Likely consequences of any decisions in the long-term;
- Interests of the company's employees;
- Need to foster the company's business relationships with suppliers, customers and others;
- Impact of the company's operations on the community and environment;
- The company's reputation for high standards of business conduct;
- Needing to act fairly between members of the company.

The Group's ongoing engagement with stakeholders and consideration of their respective interests in its decision-making process is as described below.

Our culture

OTAQ has always considered a long-term perspective, from its first interaction with a prospective acquisition and thereafter. This is part of what makes the Group unique. Further detail is explained in the ESG statement on page 11.

Shareholders

The primary mechanism for engaging with shareholders will be through the Company's AGM and also through any annual cycle of investor meetings held alongside the publication of the Group's financial results for the half year and full year. Further information is disclosed in the Corporate Governance statement on pages 17 to 19.

Customers and suppliers

Our companies operate in global markets and developing a strong reputation is key to our ongoing success. Maintaining the strong reputation with our customer base for providing products and service of the highest quality is therefore of paramount importance. Likewise, we have long-standing close relationships with our key suppliers.

Employees

A key to the Group's success has been its engaged workforce. The Group's Directors, alongside our subsidiary management teams, work hard to provide a positive work environment with opportunities for all our staff to grow and achieve their potential as well-respected local employees within each of our businesses' respective communities. As disclosed in the ESG statement on page 11, we are also proud that 25% of our staff at year-end are shareholders.

Community and environment

Our businesses are proud of their contribution to the local community both as a local employer and also of their generally low impact on the environment. More information can be found in the ESG statement on page 11.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Our culture

OTAQ's culture is one of commitment, openness and integrity working together as a small team of 36 employees to achieve the Group's goals. Leadership development is used to strengthen the core management team, both in the way the team works together and developing the individuals.

Our businesses have all built a respected place in both the local community, dealing fairly with their own staff, and further afield with customers and suppliers, some of whom are global. We expect them to continue to do this, understanding that as a public company we must continue to uphold high standards of behaviour. We always encourage decision-making for the long term as we expect our businesses to build for the future and not just for the present. As we operate globally, we are mindful and respectful of local cultural differences.

We also encourage all our employees to act commercially and treat the company as if they are its owner. A quarter of our team are OTAQ shareholders and we expect this to increase in the remainder of 2020 and beyond.

The environment

OTAQ recognises that environmental concerns, inclusive of climate change, must be addressed by all businesses across the globe. We recognise that many of our trading activities have an environmental impact. We try to minimise this impact where possible across different aspects of our business. As primarily a technology company, our group is not a capital-intensive manufacturer.

Our products are primarily used to reduce waste and inefficiency. An example of this is an OTAQ Offshore product, OceanSENSE, which is used to detect leaking fluids in oil fields.

Health and safety

Health and safety is of paramount importance to OTAQ and a key priority for our subsidiary management teams. Our employees must be safe at work and we therefore aim to provide a safe and comfortable working environment for them. The Group encourages all its subsidiary companies to seek continuous improvement and promote a strong health and safety culture.

The Group routinely monitors health and safety adherence across our trading subsidiaries and monthly reports are issued and discussed regarding key health and safety indicators. As at 31 March 2020, the Group has gone 1,839 days without a loss time incident.

Anti-bribery and corruption

OTAQ has a zero-tolerance policy on bribery and corruption in relation to all business transactions in which the Group is involved. This policy includes the offering or receiving of inappropriate gifts or making payments to influence the outcome of business transactions. We also require customers and suppliers who contract with the Group on our standard business terms to comply with anti-corruption and anti-bribery laws.

Equal opportunities

OTAQ supports equal opportunity for all our employees and those who wish to join our Group. Our aim is to build a meritocratic work environment where everyone can make the most of their skills and talents, without discrimination or harassment. In the event of a member of staff becoming disabled, every effort is made to ensure that they can continue their employment with the Group with suitable support. It is the Group's policy that disabled people should have access to the same career path, training and promotion opportunities as all other employees.

It is a Group policy not to discriminate against staff or candidates on the basis of age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, or sex or sexual orientation.

Human rights

OTAQ supports the provisions set out in the Modern Slavery Act and endorses the core requirements of the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. We do not tolerate practices which contravene these international standards.

COMPANY OVERVIEW AND RISKS

Review of the Business

The principal business of the Group continued to be that of the development, provision and support of technology for use in the aquaculture industry and offshore oil & gas industries.

The Chairman's Statement on page 4 and the CEO's Report on page 6 detail activities and development of the business over the year.

Financial and Business Highlights

OTAQ plc achieved growth across all areas of the business. Financial and business highlights are detailed in the introduction to this report at page 1.

Key Performance Indicators (2020 Vs 2019)

Financial

	2019/20 £'000	2018/19 £'000	Change
Revenue	**3,420**	1,577	117%
Gross profit margin	**57.4%**	57.2%	3%
Adjusted loss before tax*	**(339)**	(343)	1%
Net cash / (debt)*	**2,859**	(317)	1,002%
Adjusted EBITDA*	**451**	50	802%

* Reconciliations form statutory measures to the alternative performance measures are provided on the inside front cover.

Personnel

The number of employees increased to 36 in March 2020 from 15 in March 2019.

Gender Diversity

At 31 March 2020 employee gender diversity was:

	Male	Female
Directors	3	2
Senior Managers	2	1
Employees	24	4

Quality Management

The Group achieved ISO 9001:2015 status on 28th November 2019 and the Group's Quality Management System covers the manufacture of products for all the industries in which it operates.

Overseas political environment

The Group has a subsidiary in Chile and there has been civil unrest in Chile in 2019 which has had an impact on the Group's expansion plans in Chile in the current financial year. The position in Chile appeared to stabilise in the first part of 2020 and the Group continues to make progress in Chile. However, the Covid-19 pandemic has brought new uncertainty to the country although operations have not been affected other than some travel restrictions. If there is a material deterioration in the political environment in Chile that results in a sustained period of civil unrest this may have an adverse effect on the growth prospects of the Group.

Covid-19

The Covid-19 outbreak had had some impact on the group's operations and there has been some reduction in orders received specifically in the OTAQ Offshore business. However, the bulk of the Group's revenue remains intact but the longer the outbreak lasts, the more this will affect the Group's revenue and profitability. Moderate supply chain issues could also become challenging and the pursuit of our staff's welfare could interfere with operations.

Key personnel

The Group's future success is dependent on its senior management and key personnel and, given the small niche-serving nature of the Group's businesses, it is always a challenge to maintain back-up support in respect of key roles or to replace key staff should they leave our organisation. Finding quality executives in our sector is a challenge and it can take a long time to replace and/or to prove the suitability of any new executive. The Group encourages succession planning wherever possible and seeks to provide a positive work environment with opportunities for career growth coupled with appropriate remuneration and, where appropriate, longer-term rewards.

Currency and foreign exchange

The Group operates in foreign currency locations but invoices the vast majority of its revenue in Sterling and therefore has only insignificant exchange rate risk. The Group seek will continue to review the need for hedging exchange risk but has not historically needed to and doesn't expect to in the short-to-medium term. Additional detail is set out in note 28.

Economic conditions

The prevailing uncertainties in the world economy represent a risk to the Group's prospects. This is limited by the majority of the Group's revenue ultimately being derived from consumer food demand, which is less sensitive to economic conditions. The revenue from OTAQ Offshore Limited is linked to the price of oil which is undergoing a period of volatility.

R&D and products

The Group continues to invest in the development of new products to meet the needs of our customers. There is a risk that our businesses may be unable to develop suitably commercial and technically reliable new products with which to maintain and drive revenue performance. The Group maintains a focus on ensuring there are ongoing R&D roadmaps for our businesses and that we continue to invest in well trained and qualified R&D and operations teams to deliver quality, well-engineered products for our customers.

Competition

The Group faces competition across all its businesses and there can be no certainty that each business will achieve the market penetration it seeks. There is also no guarantee that there will be no new competition or new entrant to the market with better products. The Group seeks to mitigate this by working closely with its customers and agreeing long-terms contracts as appropriate. Additionally, the Group will work with customers to understand their product development requirements and look to satisfy these where they are commercially viable.

Financial Risk Management Objectives

Details of the Group's financial risk management objectives are set out in Note 28 to these consolidated financial statements.

Future Developments

The future development of the Group is dealt with in the Chairman's Statement.

Charitable Donations and Community Support

No charitable or political donations were made in the year (2019: £nil) and there was no form of community support provided.

On behalf of the Board

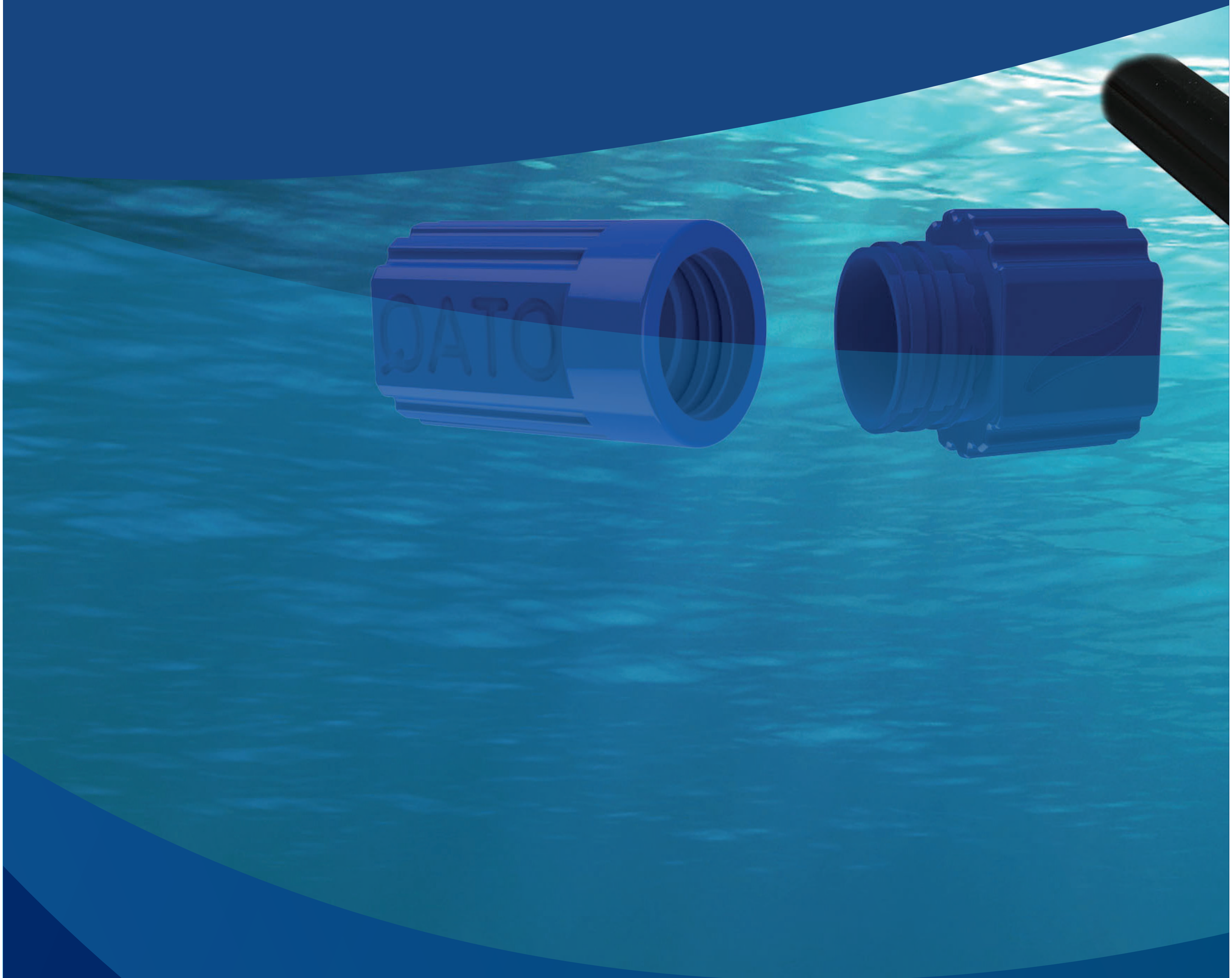
Phil Newby
Director
24 July 2020

THE GROUP CONTINUES TO INVEST IN THE DEVELOPMENT OF NEW PRODUCTS TO MEET THE NEEDS OF OUR CUSTOMERS.

Innovation

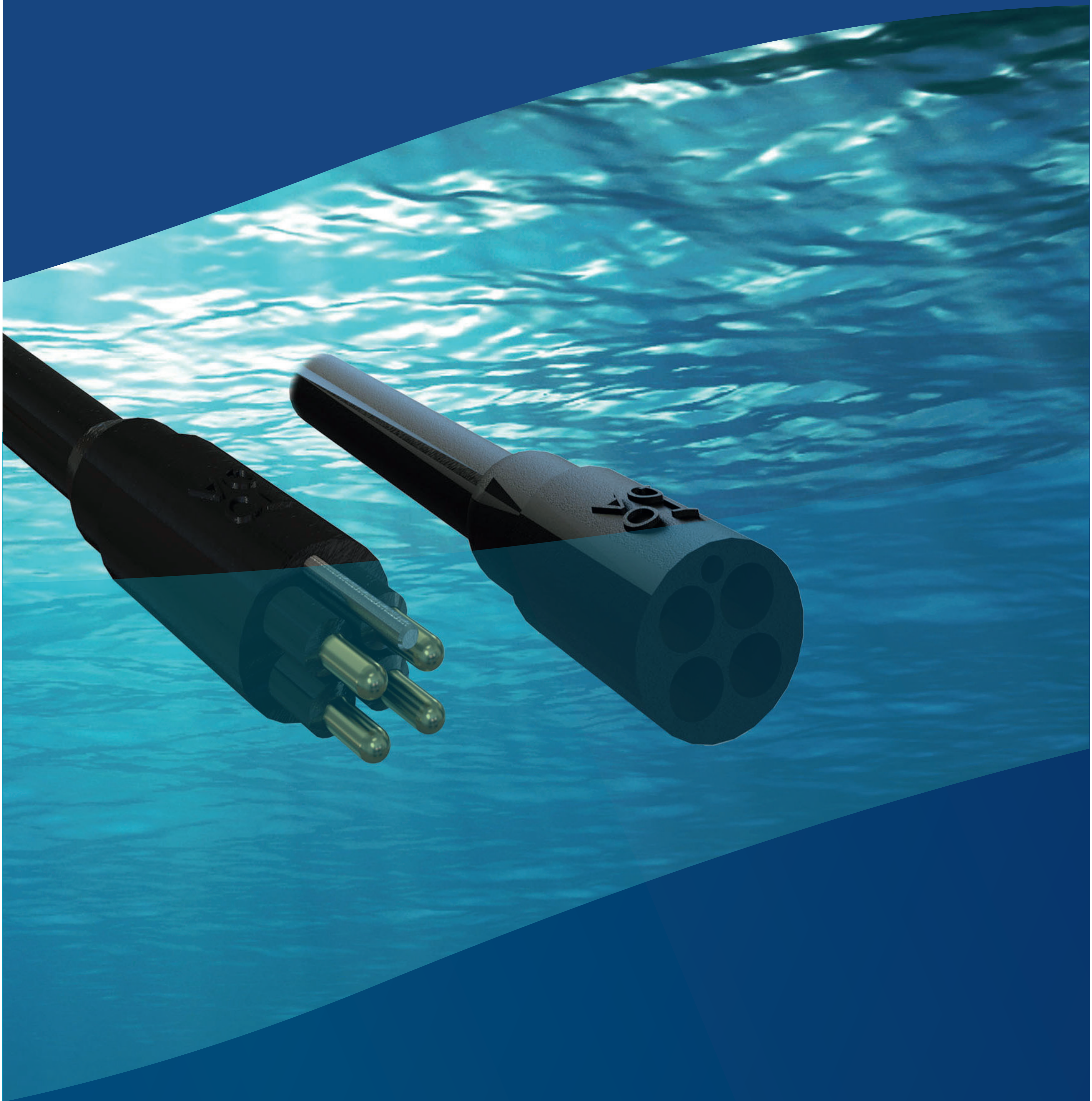
The OTAQ engineering team have an impressive combined range of expertise and strive to ensure innovation is at the heart of everything we do. We aim to remain at the forefront of marine technology and consistently deliver quality, innovative products.

CORPORATE GOVERNANCE



CONNECTORS

We support our customers operating in the offshore energy, commercial diving, defence, aquaculture and oceanographic research industries worldwide. The division was formed after the acquisition of Link Subsea Ltd in 2019 who have developed an enviable reputation for producing very high quality connectors & penetrators from their base in Ulverston, UK since 1997.



In this section

BOARD OF DIRECTORS

Hon. Alexander Hambro N Nom
Chairman

Alex Hambro has been active in the small company investment sector both in the UK and the USA for some 30 years, during which time he acted as a principal investor, manager and sponsor of private equity and venture capital management teams.

In addition to his responsibilities at OTAQ plc, Alex is also Chairman of Falanx Group Ltd and a Non-Executive Director of Octopus Apollo VCT plc, Whitley Asset Management Ltd and Crescent Capital Ltd. Alex is a founder partner of Welbeck Capital Partners LLP, a specialist investment syndicate that deploys secured convertible loan notes to finance growth opportunities for small-cap AIM companies.

Phil Newby E
Chief Executive

Phil joined the OTAQ Group in June 2014 as commercial director and was appointed chief executive in March 2015.

From 1993 to 1997 Phil was general manager of Unique Systems LLC an offshore equipment rental business operating in the Middle East and India. From 1997 to 2011 Phil was chief executive of Trelleborg Offshore Barrow-In-Furness Limited, a business that supplied flowline and cable protection to the offshore oil and gas industry. In 2011 Phil joined Unique Systems Russia LLC which was developing umbilical systems for commercial diving operations.

Matt Enright E
Chief Financial Officer

Matt joined the OTAQ Group in April 2020 and was appointed Chief Financial Officer in June 2020. He has experience of working with internationally focussed growth businesses across a range of industries.

Matt moved into the private sector in 2006 where he worked with owner-led and private equity-owned businesses. Matt joined TRM Packaging as Finance Director in 2013, a specialist cardboard box manufacturer, helping to grow the business before playing a prominent role in the sale of the business to DS Smith plc.

George Watt N I A R Nom

George started his career with KPMG where he qualified as a chartered accountant and worked for 10 years in the UK and the United States.

He then joined STV Group plc in 1999 where he spent 20 years as Chief Financial Officer before retiring from the board in 2019. George is currently non-executive Chairman of Spaceandpeople PLC, an AIM-quoted destination media and retail solutions specialist operating in the UK and Germany, and has held other non-executive director positions in the technology sector.

Sarah Gills N A R Nom

Sarah Gills is a graduate in Marine Biology and Oceanography from the National Oceanography Centre at the University of Southampton.

She is an entrepreneur whose experience includes the management of yacht racing around the world, property development and litigation support. She is an active investor and is currently assisting in the corporate development of AIM-quoted company, Franchise Brands plc.

Committee membership

E Executive
N Non-Executive
I Independent
A Audit Committee
R Remuneration Committee
Nom Nomination Committee

Corporate Governance Statement
For the year ended 31 March 2020

Introduction
I have pleasure in introducing the Corporate Governance Statement. In accordance with the requirements of being listed on the main list of the London Stock Exchange, we recognise that the application of sound corporate governance is essential in the Group's ongoing success and adopt the principal provisions of the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies ("QCA guidelines"). This report sets out our approach to OTAQ's governance. As the Group became listed only on 31 March 2020, not all elements of the Executive Remuneration Regulations 2013 have been deemed necessary.

Board composition
The Board is responsible to the shareholders and sets the Group's strategy for achieving long-term success. It is also ultimately responsible for the management, governance, controls, risk management, direction and performance of the Group.

During the year the Board comprised the Non-Executive Chairman and three further Non-Executive Directors. Following the reverse takeover by OTAQ Group Limited, the Board has comprised of two Executive Directors, one Non-Executive Chairman and two further Non-Executive Directors.

As from 31st March 2020, the Group has had one independent Non-Executive Director. At the same time, the Company considers that these Non-Executive Directors act independently of the Executive management. The value of their business knowledge alongside their developing understanding of the Group's business model ensures that they will be best placed to appropriately police adherence to the Group's enduring strategy.

Board operation
The Board is responsible for the Company's strategy and for its overall management. The operation of the Board is documented in a formal schedule of matters reserved for its approval, which will be reviewed annually. These include (although not exhaustively) matters relating to:

- the Group's strategic aims and objectives;
- the approval of significant acquisitions and expenditure;
- financial reporting, financial controls and dividend policy;
- the approval of the Group's annual budget;
- the structure, capital and financing of the Group;
- internal control, risk and the Group's risk appetite;
- effective communication with shareholders; and
- any changes to Board membership or structure.

Board decision making
The Board has a schedule of matters covering business, financial and operational matters ensuring that all areas of Board responsibility are addressed throughout the year. The Chairman, supported by the Company Secretary, is responsible for ensuring the Directors receive accurate and timely information. The Company Secretary compiles the Board papers which are circulated to Directors in advance of meetings. The Company Secretary prepares and provides minutes of each meeting and every Director is aware of the right to formally minute any concerns.

Board meetings
The main Board meets ten times a year in addition to any ad hoc Board meetings that may be required during the year. Non-Executive Directors communicate directly with Executive Directors between formal Board meetings as necessary.

Directors are expected to attend all meetings of the Board, and the Committees on which they sit, and to devote sufficient time to the Company's affairs to enable them to fulfil their duties as Directors. If Directors are unable to attend a meeting in person they will endeavour to attend via phone or online meetings. Where they cannot attend, their comments on papers to be considered at the meeting will be discussed in advance with the Chairman so that their contribution can be included in the wider Board discussion.

As Hertsford Capital plc was a cash shell prior to 31 March 2020, no Audit, Remuneration of Nomination Committee meetings were held during the year. The table below sets out the attendance at meetings by Directors during the year.

	Board	Audit	Remuneration	Nomination
AR Hambro	6/6	–	–	–
SE Gills	6/6	–	–	–
HA Hyman	6/6	–	–	–
RD Sargent	6/6	–	–	–

Corporate Governance Statement continued
For the year ended 31 March 2020

Board Committees
The Board has delegated specific responsibilities to the Audit and Remuneration Committees, details of which are set out below.

Each Committee has written terms of reference setting out its duties, authority and reporting responsibilities. Copies of all the Committee terms of reference are available on the Company's website (www.otaq.com) or on request from the Company Secretary. The terms of reference of each Committee are kept under continuous review to ensure they remain appropriate to the Group. Each Committee is comprised of two of the Non-Executive Directors of the Company.

Audit Committee
Post 31st March 2020, the Audit Committee is chaired by George Watt, Non-Executive Directors and the other member is Sarah Gills, Non-Executive Director. The Audit Committee has primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Group is properly measured and reported on. It receives and reviews information and reports from the Group's management and Auditor relating to the annual financial statements and the accounting and internal control systems in use throughout the Group. It also advises the Board on the appointment of the Auditor, reviews their fees and discusses the nature, scope and results of the audit with the Auditor. The Audit Committee meets at least twice a year and has unrestricted access to the Group's Auditor. The Executive Directors and the Chairman attend the Committee meetings by invitation as required.

The Audit Committee Report on pages 20 and 21 contains more detailed information on the Committee's role.

Remuneration Committee
Post 31st March 2020, the Remuneration Committee is chaired by Sarah Gills, Non-Executive Director. The other members of this Committee is George Watt. The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The remuneration and terms and conditions of appointment of the Non-Executive Directors of the Company are set by the Board. The Chief Executive and Chief Financial Officer are invited to attend for some parts of the Committee meetings where their input is required although they do not take part in any discussion on their own benefits and remuneration. The Remuneration Committee meets at least once per year.

The Remuneration Report on pages 22 to 32 contains more detailed information on the Committee's role and the Directors' remuneration and fees.

Nomination Committee
The Nomination Committee is chaired by Alex Hambro. From 31st March 2020, the Nomination Committee will meet at least twice per year.

Board effectiveness
Biographies of the Board on page 16 sets out the skills, knowledge and experience of the Board. This mix of capabilities enables them to constructively challenge strategy and review performance.

Time commitments
All Directors are aware of the time required to fulfil the role prior to appointment and have confirmed their ability to meet the required commitment prior to appointment. This requirement is also included in their letters of appointment or service contract. The Board is satisfied that the Chairman and each of the Non-Executive Directors can devote sufficient time to the Group.

Development
The Company Secretary ensures that all Directors are made aware of changes in relevant legislation and regulations, with the assistance of the Company's advisers where appropriate. Executive Directors are subject to the Company's performance development review process and will obtain additional professional training as appropriate.

External appointments
In the appropriate circumstances, the Board may authorise Executive Directors to take Non-Executive positions in other companies and organisations, provided the time commitment does not impact upon the Director's ability to perform their role, since such appointments should widen their experience. The Chairman will approve any such appointment.

Conflicts of interest
The Board will regularly review any Directors' conflicts of interest. The Company's Articles of Association provide for the Board to authorise any actual or potential conflicts of interest.

Independent professional advice
Directors have access to independent professional advice at the Company's expense. In addition, they have access to the advice and services of the Company Secretary who is responsible to the Board for advice on corporate governance matters.

Directors' and Officers' liability insurance
The Company obtained Directors' and Officers' liability insurance after the year-end, as permitted by the Company's articles.

Election of Directors
In accordance with the Company's Articles of Association, each Director, as appropriate, will be proposed for re-election each year.

Performance evaluation
The Chairman discusses with each of the Non-Executive Directors their ongoing effectiveness. He is also responsible for the Executive composition of the Board. The Chief Executive assesses each Executive Director and provides informal feedback on their performance on a timely basis.

Internal controls
The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group.

The principal components of the Group's internal control system include:

- overview of the day to day activities of the Group by the Executive Directors;
- all proposed acquisitions are comprehensively reviewed by the Board;
- a comprehensive annual budgeting process which is approved by the Board;
- a decentralised organisational structure with defined levels of responsibility for all trading subsidiaries, to encourage principled entrepreneurial behaviour whilst minimising risks;
- rotational visits by the Board to the trading subsidiaries;
- detailed monthly reporting of performance against budget and forecast; and
- central control over key areas such as cash/banking facilities and capital expenditure.

The Group continues to assess and develop its internal control system to ensure compliance with best practice for a Group of its size.

Relations with shareholders
The Group will maintain communications with institutional shareholders through individual meetings with Executive Directors, particularly following publication of the Group's interim and full year results. All shareholders are also encouraged to attend the Annual General Meeting which is on Friday 25th September 2020 (full details in the Directors' Report on page 35).This is the main opportunity for all shareholders to meet with all the Executive and Non-Executive Directors and where the Group's activities are considered and questions answered.

General information about the Group is also available on the Group's website (www.otaq.com). This includes a Group overview, detailed information about our trading businesses, details of all recent Group announcements and other relevant investor information.

Whistleblowing
The Group has in place a whistleblowing policy which sets out the formal process by which an employee of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters.

Alex Hambro
Chairman
24 July 2020

Audit Committee Report
For the year ended 31 March 2020

On behalf of the Board, I am pleased to present the Audit Committee report for the year ended 31 March 2020. Prior to the reverse-takeover of OTAQ plc (named Hertsford Capital plc at the time) by OTAQ Group Limited on 31 March 2020, the company was a non-trading cash shell and therefore did not have an Audit Committee.

Composition of the Committee

The Committee was formed on the final day of the accounting period, 31 March 2020, and consists of me (as Chairman) and Sarah Gills. The Company Chairman and Executive Directors – and members of the finance team – may be invited to attend Committee meetings.

The Committee held its first meeting on 22 May 2020 to approve the audit plan prepared by RSM UK Audit LLP for their work on the accounts presented to you today.

The second meeting was held on 25 June 2020 as we began to review the accounting policies, the draft report and accounts, and interim audit findings presented to us by the CFO.

At a third meeting held on 16 July 2020, we met with RSM UK Audit LLP to discuss the audit, review their conclusions, and approve in outline the contents of the report and accounts.

The Board is satisfied that I, as Chairman of the Committee, have recent and relevant financial experience. I am a Chartered Accountant, have served as the long-term CFO of a listed company and am Non-executive Chairman of an AIM-quoted company, and have served as a Non-executive director of several other companies

Where appropriate, I report the Committee's deliberations and conclusions from each meeting at the next meeting of the full board, and the minutes of each committee meeting are made available to all members of the Board.

Responsibilities

The main duties of the Audit Committee are set out in terms of reference which are outlined in the Corporate Governance section on the Company's website (www.otaq.com). The Committee's main duties are to:

- ensure the integrity of the financial statements (including annual and interim accounts and results announcements);
- review significant financial reporting judgements and the application of accounting policies thereon;
- ensure the Annual Report and Accounts are fair, balanced and understandable and recommend their approval to the Board;
- manage the relationship with the Group's external Auditor and review their suitability and independence;
- negotiate and approve the external Auditor's fee, the scope of their audit and terms of engagement;
- advise on the appointment of external Auditors and review and monitor the extent of the non-audit services undertaken by the Group's external Auditor;
- review the risk management and internal control systems;
- review the assessment of going concern; and
- assess the need for and reporting by an internal audit function.

Role of the external auditor

The Audit Committee monitors the relationship with the external Auditor, RSM UK Audit LLP, to ensure that auditor independence and objectivity are maintained. As part of its review the Committee also monitors the provision of non-audit services by the external Auditor.

An analysis of fees split between audit and non-audit services is disclosed in note 8 to the Group's financial statements. Non-audit fees charged by RSM UK Audit LLP to the Group relate primarily to the provision of financial due diligence services to the Group as part of the reverse-takeover of Hertsford Capital plc (as it was called at the time) by OTAQ Group Limited.

Subsequent to 31 March 2020, all non-audit work – including tax advisory and accounts preparation – is now undertaken by firms other than RSM UK Audit LLP. No issues impacting upon the Auditor's independence were observed or brought to the Committee's attention.

Audit process

The external Auditor prepares an audit plan for its review of the full year financial statements. The audit plan sets out the scope of the audit, specific areas of risk to target and audit timetable. This plan is reviewed and agreed by the Audit Committee. Following its review, the Auditor presents their findings to the Audit Committee for discussion. No matters of significant concern relating to either the Group's internal controls or accounting practices were highlighted by the Auditor during the year, although any areas of significant risk and other matters of audit relevance are regularly communicated.

Internal audit

There is no internal audit function in the Group. The Committee considers that, due to the small size and relatively low complexity of the Group's operations, management is generally able to derive assurance as to the adequacy and effectiveness of internal controls and risk management procedures without the need for internal audit work. The need for an internal audit function will be periodically reviewed as the size and nature of the Group develops.

Risk management and internal controls

As described in the Corporate Governance Statement on pages 17 to 19, the Group has established a framework of risk management and internal control systems and procedures. The Audit Committee is responsible for reviewing the risk management and internal control framework and ensuring that it operates effectively. The Committee has reviewed the framework and the Committee is satisfied that the internal control systems in place are currently operating effectively.

George Watt
Audit Committee Chairman
24 July 2020

Remuneration Committee Report
For the year ended 31 March 2020

Dear Shareholder

On behalf of the Board, I am pleased to present the Remuneration Committee Report, which sets out the remuneration policy and the directors' remuneration for the year. It has been prepared in accordance with the requirements of The Large and Medium-sized Companies and Groups (Accounts and reports) (Amendment) Regulations 2013 (the Regulations).

Prior to the reverse takeover of OTAQ plc (named Hertsford Capital plc at the time) by OTAQ Group Limited on 31 March 2020, the company was a non-trading cash shell and therefore did not have a Remuneration Committee. No directors received any remuneration in the year to 31 March 2020 save for options set out later in this report.

Notwithstanding the limited remuneration arrangements for the year under review, the company is required to comply with the Regulations. After this introductory letter, this report is split into two parts: our Remuneration Policy to be effective, subject to shareholder approval, for three years commencing the date of the AGM, and the Annual Statement on Remuneration covering the period ending 31 March 2020, reflecting the minimal arrangements in place over that period. Our Remuneration Policy will be subject to a binding shareholder resolution at the AGM. The Remuneration Report will be put to an advisory resolution.

Remuneration policy
The Remuneration Policy is intended to fit the size and profile of the group following the reverse takeover, to support the achievement of the company's operational, business, financial and strategy objectives and align the interests of the Executive Directors with shareholders over the short and longer term. To achieve our goals, the Group provides competitive pay, split between fixed and performance-related elements. The key elements are explained below:

- Base salary intended to reflect the market value of the role and the individual's performance and contribution to the Group.
- Pension and other benefits and market-competitive levels
- Annual bonus for the Executive Directors is set at up to a maximum of 50% of base salary (30% for year ending March 2021) payable in cash upon achieving annual targets set within the annual budget.
- Long term incentives in the form of regular awards of market value options to support sustained long-term performance supporting the creation of shareholder value. The existing share option awards held by the Chief Executive are of a different structure. These were awarded as nominal cost options subject to performance conditions by OTAQ Group Limited before the reverse takeover. Performance conditions attached to some existing awards have already been met. Performance conditions attached to other existing awards relate to share price performance.
- Chairman and Non-Executive Director fees designed to be comparable to those at other similar listed companies.

The Committee is abreast of developments in corporate governance and good practice. The Company has adopted the QCA Code and the remuneration arrangements are intended to comply with good practice reflecting the company's size and profile, and with the QCA, (not the FRC Code which larger Premium List companies comply with).

New Share Plans
The making of new long term incentive awards under the new 2020 Long Term Incentive Plan ("2020 LTIP") is also subject to approval of the new plan at the 2020 AGM. A detailed summary of the plan will be set out in the 2020 Notice of AGM.

In addition to the 2020 LTIP, shareholders will also be asked to approve a share incentive plan ("SIP") at the 2020 AGM. The SIP will provide all UK employees of the Group, including Executive Directors, with an opportunity to acquire shares in the Company in a tax-efficient manner as permitted by, but subject to the limits set out in, Schedule 2 to the Income Tax (Earnings and Pensions) Act 2003. A detailed summary of the SIP will be set out in the 2020 Notice of AGM.

Annual statement
The following section, the Annual Statement on Remuneration covering the period ending 31 March 2020, reflects the minimal arrangements in place over that period. Given the limited nature of the company's remuneration arrangements, many of the disclosures required by the Regulations are not applicable and we have stated this in the relevant sections of this report.

At the end of this section, we set out details of how we intend to operate Executive Remuneration during 2020/21 subject to approval of the policy and the new share option plan at the AGM.

Committee membership
The Committee was constituted on 21 May 2020 and consists of me (as Committee Chairman) and George Watt. The Chief Executive and Chief Financial Officer may be invited to attend Committee meetings if required. The Committee intends to meet at least twice each year.

No external remuneration consultants were appointed in the year under review. Following the year end, the Company appointed h2glenfern Remuneration Advisory to provide advice and assistance primarily in relation to the development of our new long-term incentive plan and the presentation of information in this report.

Key Committee activities
The Remuneration Committee operates under terms of reference outlined in the Corporate Governance section on the Company's website and determines the Group's remuneration policy in respect of the terms of employment of Executive Directors and their remuneration packages. The first meeting of the Remuneration Committee took place on 21 May 2020. Key matters discussed during this meeting were:

- benchmarking of and review of Executive Director remuneration arrangements for year ending 31 March 2021;
- determining the performance target for the 31 March 2021 Executive Director annual bonus arrangements;
- determining appropriate performance conditions for Executive Director share options; and
- review of developments in corporate governance and best practice.

Recommendation
I hope that you find this report helpful and informative and I look forward to receiving further feedback from our investors on the information presented. As detailed in this annual report, Shareholders may put questions to the Company on matters including Executive Director remuneration in advance of the AGM. On behalf of the Committee, I look forward to receiving your support in relation to the resolutions to be proposed at the AGM.

Sarah Gills
Chair of Remuneration Committee
24 July 2020

REMUNERATION POLICY

This section of the report sets out the Directors remuneration policy ("the Policy") as determined by the Committee which will be subject to shareholder approval at the 2020 AGM

REMUNERATION POLICY TABLE – EXECUTIVE DIRECTORS

The table below summarises the main elements of the reward package for Executive Directors

Element	Purpose and link to remuneration policy	Key features and operation	Maximum opportunity	Applicable performance measures
Base salary	Supports the recruitment and retention of Executive Directors of the calibre required to fulfil the role without paying more than necessary. Reflects skills, experience, role.	Base salaries are set by the Remuneration Committee (Remcom) and reviewed annually, and increases are effective from 1 April, although increases may be awarded at other times if the Remcom considers it appropriate. In determining base salaries, the Remcom considers: pay levels at companies of a similar size and complexity, external market conditions; pay and conditions elsewhere in the Group; and personal performance.	There is no maximum value.	None.
Benefits	To help recruit, retain and motivate high performing Executives. To provide market Competitive benefits.	The Group may provide additional market-competitive benefits such as private healthcare and car allowance.	Phil Newby currently receives a car allowance of £10,000 per annum. Matt Enright has a car allowance of £8,000 per annum.	None.
Pension	Provide a basic pension benefit that would be expected for the position.	The Group provides matching contribution of up to 6% of base salary with the majority of employees being offered a pension plan through Nest, the workplace pension scheme set up by the UK government.	The maximum payment is 6% of base salary. Phil Newby receives 6% of his base salary as contributions into a pension scheme. Matt Enright receives 5% of his base salary as pension contributions into a pension scheme.	None.
Annual Bonus	Rewards and incentivises the achievement of annual objectives which are aligned with key strategic goals and supports the enhancement of shareholder value.	Paid in cash following announcement of financial year results. Bonuses are non-pensionable. May be paid in shares at the Committee's discretion. Where the bonus is paid in shares these must be held for a period of two years. The Committee has overall discretion to adjust the extent to which bonuses are paid in line with best governance practice. Annual bonus is subject to malus and clawback provisions detailed below this table.	Up to 50% of salary for CEO and CFO with up to 50% of the maximum amount for on target performance. For YE 2021, the maximum opportunity is 30% of salary.	Specific targets and weightings may vary each year according to strategic priorities and may include: financial performance, operational performance, attainment of personal and strategic objectives. Weighting will focus on Group financial performance.

Element	Purpose and link to remuneration policy	Key features and operation	Maximum opportunity	Applicable performance measures
Long term incentive plan	Incentivises executives to achieve the Company's long term strategy and create sustainable shareholder value. Aligns with shareholder interests through the potential delivery of shares.	Operated under the 2020 LTIP, subject to approval at the 2020 AGM. Awards normally granted each year in the form of options with an exercise price normally not less than the market value at the date of award, although a lower exercise price may be applied. Normally vest after three years subject to meeting any performance condition. May be subject to additional holding period of up to two years at discretion of Remcom. The Remcom has overall discretion to adjust the extent to which options vest in line with corporate governance best practice. Awards are subject to malus and clawback provisions detailed below this table.	Market value of award will not normally exceed 100% of the individual's salary. In exceptional circumstances, such as initial awards, awards to facilitate hiring, market value at award may be up to 200% of salary.	Main performance condition is inherent in award structure, i.e. value of each option grows as share price increases above the exercise price Performance conditions will normally be applied to awards to Executive Directors. Specific targets and weightings may vary each year according to strategic priorities and may include financial performance and share price or total shareholder return. Performance condition intended to be underpin rather than reflecting stretch targets.
All employees share plan	To encourage all employees to make a long term investment in the Company's shares in a tax efficient way.	The Executive Directors may participate in the Company's SIP, once approved, on the same terms as other eligible employees.	The maximum participation level will be aligned to HMRC limits.	None.
Shareholding guideline	Align the interests of Executive Directors and Shareholders in the long-term.	To build a minimum shareholding equivalent to 100% of salary. Directors have a period of five years to achieve this.	Not applicable.	
Non-executive fees	Fees for Non-executive Directors are set at an appropriate level to recruit and retain directors of a sufficient calibre without paying more than is necessary to do so. Fees are set taking into account the following factors: the time commitment required to fulfil the role, typical practice at other companies of a similar size, and salary levels of employees throughout the Group.	Fees are reviewed at appropriate levels at appropriate intervals (normally once every year) by the Board with reference to individual experience, the external market and the expected time commitment required of the director.	There is no maximum value.	

Pension

Since 2017, the Company's pension contribution for Phil Newby has been lower than the amount agreed due to an error. A compensatory payment to address this will be made during the year to March 2021.

Shareholder approval

This Policy will be subject to shareholder approval at the 2020 AGM and, subject to that approval, will become effective from that date. Components of Executive Director remuneration are described below in more detail:

Existing share options

On 9 March 2020, prior to the reverse takeover of OTAQ plc by OTAQ Group Limited, options over, inter alia, 200 ordinary shares (the "Existing Share Options") in OTAQ Group Limited ("OGL") were granted to Philip David Newby, the CEO of OTAQ plc (the "Optionholder"). The Existing Share Options remain as options to subscribe for shares in OGL and were not rolled over into options to subscribe for shares in the capital of OTAQ plc. The Existing Share Options are set out as follows:

Optionholder	Exercise Price for each OGL Share option	"Effective" Exercise Price for each OTAQ Share	Number of Existing Share Options over shares of OGL*	Equivalent Number of Shares of OTAQ plc*
Philip David Newby	3.125p	0.0006p	133	693,994
Philip David Newby	3.125p	0.0006p	67	349,606
Total			200	1,043,600

* The Optionholder entered into a contract with OTAQ plc immediately prior to completion of the reverse takeover which provided that on exercise of any of the Existing Share Options, OTAQ plc will immediately acquire the shares in the capital of OGL in consideration for the issue of ordinary shares in the capital of OTAQ plc in the ratio of 5,218 ordinary shares in the capital of OTAQ plc for each Existing Share Option share sold. As at the date of this report, no Existing Share Options have been exercised by the Optionholder. Subject to the new 2020 LTIP being approved by shareholders at the 2020 AGM, the Remuneration Committee will consider asking the Optionholder to release the Existing Share Options for equivalent or 'nil cost' options to acquire shares in OTAQ plc (with the replacement options being over 5,218 ordinary shares in the capital of OTAQ plc for each share under the Existing Share Options).

2020 LTIP

The making of new long-term incentive awards under the new 2020 LTIP is also subject to approval of the new plan at the 2020 AGM. A detailed summary of the plan will be set out in the 2020 Notice of AGM.

Malus and Clawback

The annual bonus and 2020 LTIP documentation will include provisions permitting the Committee decision to apply malus and clawback in certain circumstances. Examples of such circumstances shall include, but are not limited to:

- a material misstatement of the Group's financial statements;
- a material error in determining the level of satisfaction of a performance condition or target;
- a participant deliberately misleading the Company, the market and/or shareholders in relation to the financial performance of the Group;
- a material failure of risk management; and
- a participant having been found to have engaged in any form of misconduct and/or there are in existence circumstances which justify a participant's summary dismissal.

The Committee shall (acting reasonably and in good faith) determine the amount or award subject to clawback.

Discretion

Annual bonus documentation and the 2020 LTIP, subject to shareholder approval of the amendments to the 2020 LTIP, will contain provisions to give the Committee the ability to apply discretion to adjust the formulaic outcomes in line with best UK corporate governance practice but always within plan limits as determined by the new policy. Any use of discretion would clearly be explained in the Remuneration Report.

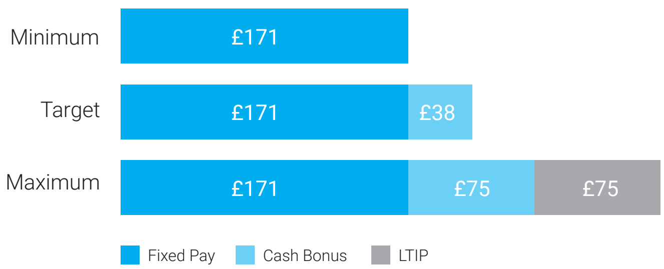
Illustration of application of remuneration policy

Three scenarios of Executive Directors' remuneration based on differing performance, Minimum (fixed pay, pension and benefits), On target (fixed remuneration plus annual performance related pay, paying out at target levels and LTIP at 100% for CEO and 100% for CFO) and Maximum (fixed remuneration plus maximum variable pay that may be awarded). A scenario is also shown which provides an indication of the maximum remuneration receivable, assuming share price appreciation of 50% on the LTIP.

A significant proportion of the potential remuneration of the Executive Directors is variable and is therefore performance related. It is also subject to deferral, additional holding periods, malus and clawback.

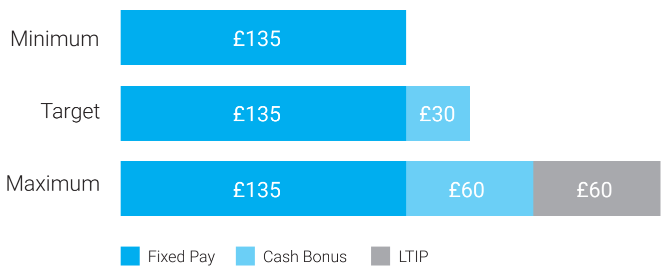
Chief Executive Officer

£'000s



Chief Financial Officer

£'000s



The Company's current policy is to make LTIP awards as market value options and as such if there is no share price appreciation, these awards will have no value.

POLICY PROVISIONS RELATING TO EXECUTIVE DIRECTOR'S REMUNERATION

How employee pay is taken into consideration

When determining remuneration policy and arrangements for Executive Directors, the Remcom considers the wider pay and employment conditions elsewhere in the Group to ensure pay structures for Executive Directors are aligned and appropriate. The Remuneration Committee did not consult with its employees in formulating this policy.

Shareholder views on remuneration

The Chair of the Remuneration Committee will be available for contact shareholders concerning the Company's approach to remuneration. The Company welcomes a dialogue with its shareholders and will seek the views of its major shareholders if and when any major changes are being proposed to the policy.

Alignment of executive remuneration and the market

The Committee sets Director remuneration policy in the light of its knowledge of remuneration at comparable companies and will undertake benchmarking exercises periodically so that it can do this. This is done to ensure Executive Director remuneration is appropriate, competitive and not excessive.

Approach to remuneration on recruitment

In the event that the Company recruits a new Executive Director (either from within the organisation or externally) when determining appropriate remuneration arrangements, the Committee will take into consideration all relevant factors (including but not limited to quantum, the type of remuneration being offered and the jurisdiction the candidate was recruited from) to ensure that arrangements are in the best interests of both the Company and its shareholders without paying more than is necessary to recruit an Executive Director of the required calibre.

The Committee would generally seek to align the remuneration package offered with the Company's remuneration policy outlined in the table above. However, the Committee retains the discretion to make proposals on hiring a new Executive Director which are outside the standard policy:

- In the first year of appointment, the Committee may offer additional remuneration arrangements that it considers appropriate and necessary to recruit and retain the individual which shall not be offered in successive years;
- It may also offer awards on appointing an Executive Director to "buy-out" remuneration arrangements forfeited on leaving a previous employer; and
- In the event of recruitment, the Committee may also grant awards to a new Executive Director under Listing Rule 9.4.2 R (2) which allows for the granting of awards, specifically to facilitate, in unusual circumstances, the recruitment or retention of an Executive Director, without seeking prior shareholder approval.

Executive Director Service contracts

The Executive Directors are all employed on service contracts. These are not of a fixed duration and are terminable by either party giving six months' written notice.

Executive Director	Date of Service Contract
PD Newby	31 March 2020
MJ Enright	31 March 2020

Policy for payments for loss of office

Notice periods set in the Executive Directors' service contracts are driven by the need to protect shareholder value and interests. As noted above, both Executive Directors have notice periods of six months. A bonus is not usually paid to a "good leaver" or any leaver should they leave before the payment date of said bonus.

The principles governing determination of payments for loss of office are:

- service contracts legally oblige the Company either to continue to pay salary and pension allowances and other contractual benefits for any unworked notice period or, at the option of the Company, to make payment in lieu of notice unless where an Executive Director's employment is summarily terminated. The Committee reserves the right to make discretionary payments in lieu of notice which may be paid in a lump sum, quarterly or monthly;
- the payment of a performance bonus and/or other short-term incentives may be offered to the departing Executive Director during his/her notice period, based on an assessment of personal and corporate performance up to the date of departure. Bonuses will not be paid for any unworked period of notice;
- where a role fulfilled by an Executive Director is declared redundant then the individual may have the legal right to either statutory redundancy pay or to a payment under the Group's normal severance arrangements applicable to employees generally; and
- in case of poor performance, contractual termination payments may generate undue and potentially excessive reward; in such circumstances, the Committee will consider terminating a service contract on a fair basis, whilst protecting the rights of the Company.

The Company's various incentive schemes are governed by formal rules, with long term incentive plans approved by shareholders. Executive Directors have no contractual rights to the value inherent in any awards held under these plans and these plans provide for vesting in different leaver scenarios. Unvested awards will lapse when an Executive Director ceases to be employed by the Company. However, in cases of death, ill-health, injury, redundancy, retirement or the transfer of employment from one company to another company in the Group, awards will lapse unless the Committee, in its absolute discretion, determines otherwise.

If employment is terminated by the Company, the departing Executive Director may have a legal entitlement (under statute or otherwise) to additional amounts, which would need to be met. The Committee retains discretion to settle any other amounts reasonably due to the Executive Director where the Company wishes to enter into a settlement agreement. In certain circumstances, the Committee may approve new contractual arrangements with the departing Executive Director, potentially including settlement, confidentiality, restrictive covenants and/or consultancy arrangements. These will only be used where the Committee believes it is in the best interests of the Company.

The Committee generally seeks to apply practical mitigation in respect of termination payments where appropriate. Any ex-gratia payments made at the discretion of the Committee in excess of statutory or contractual obligations will be limited to an amount not exceeding one year's bonus plus legal fees, so long as such fees do not exceed £5,000.

Flexibility, discretion and judgment

Attempt has been made to ensure that the majority of situations and scenarios that may arise in relation to Executive Directors' remuneration have been covered in this policy. There may be times when the Committee may need to exercise appropriate discretion, judgment or flexibility to achieve a fair result; as no remuneration policy, however comprehensive and carefully designed and implemented can pre-empt every possible scenario. Discretion must be available to the Committee at times where changes to business requirements demand it has the ability to assess and amend pay and short term or other incentives as appropriate in order to motivate, drive appropriate behaviours and incentivise performance to promote the long term success of the Company. Judgment and flexibility may also be needed in downgrading, as well as upgrading certain remuneration elements, or in determining a suitable balance between fixed and performance-related, immediate and deferred remuneration, thereby permitting the Committee to adapt to changing or challenging situations in the overall business environment for the benefit of the Company, including considerations of political and social pressures to which the Company may be subject. Although the Committee will seek to maintain a strict adherence to the three-year policy whenever possible, the requirement to engage with shareholders each and every time a measure is identified as being required can be onerous in time and expense. The Committee remains wholly committed to maintaining engagement with shareholders throughout the three-year life of the policy and, where appropriate, shall formally engage them in placing a revised policy to a General Meeting for approval before the three year period expires. The Committee however requests the ability (and flexibility) to exercise their discretion and judgment to ensure that the determination and implementation of this policy is fair to both the Executive Directors and the shareholders, whilst taking into account the overall performance of the Company and any relevant internal and external factors.

The Committee shall exercise such discretion for the key areas detailed as follows:

Bonus – Bonus programmes for Executive Directors are unique and tailored to their respective roles with the annual setting of performance criteria which shall be transparent and challenging and also aligned to the needs of the Company and shareholders. The Committee will have the discretion to develop the bonus programme, as necessary, by application of sufficient flexibility regarding the determination of the terms applied: (1) to alter the performance criteria each year as necessary as progress is made towards the Group's strategy and the needs of the Group (but in no event to exceed the maximum capped bonus stated in the policy table above without reference to shareholders in General Meeting), (2) in relation to leavers as provided for in the policy table; (3) on a change of control of the Company, to determine the amount of bonus for that year taking into account such factors it considers appropriate, including performance, loyalty, transitional considerations, time-apportionment and any additional terms which may be reasonably applied to such payment, and (4) whether to settle bonus awards in cash or shares or a combination of both to obtain an appropriate balance for the Company; and (5) for the implementation of appropriate arrangements for withholding or clawback of any bonus in defined circumstances.

2020 LTIP – The Committee will have the discretion in respect of: (1) determination of who is to participate each year in the plan and the levels of award to be made (but not to exceed the levels stated in the LTIP Rules), (2) leavers as provided for in the policy table; (3) a change of control of the Company, to determine the level of vesting of awards taking into account performance and such other factors as the Committee believes to be relevant; and (4) for the implementation of appropriate arrangements for withholding an award or clawback of any award made or paid in defined circumstances

Relocation/expatriate assistance – as provided for in the policy table up to a maximum amount payable not to exceed £50,000 per individual in any financial year.

Non-executive Director Remuneration

Non-Executive Directors

The Non-Executive Directors signed letters of appointment with the Company upon appointment for the provision of Non-Executive Directors' services, terminable by three months' written notice given by either party.

Non-Executive Director	Appointment Date
Hon. AR Hambro	31 March 2020
SE Gills	31 March 2020
WG Watt	31 March 2020

The Non-executive Directors' remuneration (including that of the Chair) reflects the anticipated time commitment to fulfil their duties. Non-executive Directors do not receive benefits, bonuses, long term incentive awards, a pension or compensation on termination of their appointments. When recruiting a new Non-executive Director, the Remuneration Committee will follow the policy set out in the table above. The letters of appointment do not include any provisions for the payment of pre-determined compensation upon termination of appointment and notice may be served by either party. All appointments are subject to the Company's Articles of Association and re-election by shareholders.

The service agreements and letters of appointment are held at the registered office and are available for shareholders to view on request from the Company Secretary.

End of policy section.

Directors' remuneration (audited)

No remuneration was paid to or receivable by each person who served as a Director of Hertsford Capital plc during the year to 31 March 2020 except for Mr Roger Sargent who was paid £20,198 during the year (2019: £nil).

Options over Ordinary shares in the Company

Date of option issue	Number of shares
2020 Option Scheme	
Phil Newby: 9 March 2020 at 0.0006p	1,043,600*
	1,043,600*

* This is an equivalent number of OTAQ plc shares. Options are over 200 ordinary shares of OTAQ Group Limited ("OGL") with an obligation on exercise for the Company to acquire them in exchange for 5,218 OTAQ plc shares for each OGL share. As noted above, and subject to the new 2020 LTIP being approved by shareholders at the 2020 AGM, this option may be replaced with an equivalent or 'nil cost' option under the 2020 LTIP to acquire shares in OTAQ plc.

Awards lapse ten years from grant. Of the above awards, 349,600 awards vested on the date of grant and have no outstanding performance conditions, 234,810 awards vested on 31 March 2020 and have no outstanding performance conditions. 229,592 awards are subject to the performance condition that the share price is 72.8p or more before the vesting date of 31 March 2021 and 229,592 awards are subject to the performance condition that the share price is 109.3p or more before vesting date of 31 March 2022.

Warrants over Ordinary shares in the Company

Date of option issue	Number of shares
2018 Warrant Scheme (number of shares adjusted for the reverse-takeover)	
Hon. AR Hambro	80,000
SE Gills	80,000
H Hyman (resigned 31 March 2020)	80,000
R Sargent (resigned 31 March 2020)	80,000
	320,0000

The warrants were issued under a warrant instrument dated 21 November 2018 with an exercise price of 10p per share. Following a consolidation on 31 March 2020, each holder's warrants over 400,000 shares at 10p each was amended to warrants over 80,000 shares at 50p each. No share options were granted or exercised post-year end.

Directors' interests

At 31 March 2020, the Directors had the following beneficial interests in the Company's Ordinary shares of 15p each and options to subscribe for shares:

Ordinary shares of the Company

	31 March 2020		1 July 2019	
	Shares	**Warrants**	Shares	Warrants
Non-Executive Directors				
Hon. AR Hambro	**96,667**	**80,000***	483,333	400,000
H Hyman (resigned 31 March 2020)	**307,862**	**80,000***	1,355,556	400,000
R Sargent (resigned 31 March 2020)	**156,540**	**80,000***	855,555	400,000
SE Gills	**345,921**	**80,000***	555,556	400,000
WG Watt	**50,000**	**–**	–	–
	Shares	**Options**	Shares	Options
Executive Directors				
PD Newby	**166,976**	**1,043,600****	–	–
SH Walters (resigned 26 June 2020)	**–**	**–**	–	–
MJ Enright (appointed 26 June 2020)	**–**	**–**	–	–

* Changes simply as a consequence of the consolidation of the Company's shares referred to above.

** The Optionholder entered into a contract with OTAQ plc immediately prior to completion of the reverse takeover which provided that on exercise of any of the 200 share options granted in respect of shares in OTAQ Group Limited ("OGL"), OTAQ plc will immediately acquire the shares in the capital of OGL in consideration for the issue of ordinary shares in the capital of OTAQ plc in the ratio of 5,218 ordinary shares in the capital of OTAQ plc for each such OGL share option share sold. Accordingly this figure represents 200 OGL shares times 5,218.

No dividends were paid to Directors or to any shareholders in the year to 31 March 2020 (2019: nil).

Simon Waters was CFO and a Director of the Company from 31 March 2020 until 26 June 2020. Details of the remuneration he received for this period will be set out in next year's annual report.

Other disclosures on remuneration for the year ended 31 March 2020

Other than option and warrant awards detailed above, no other remuneration was paid or payable during the year. As such, there are no further disclosures to be made in respect of salaries or fees, pension, benefits, annual bonus or long-term incentive awards. No payments were made for loss of office during the year.

UK 10-year performance graph against CEO remuneration

The Directors have considered the requirement for a UK 10-year performance graph comparing the Company's Total Shareholder Return with that of a comparable indicator. The Directors do not currently consider that including the graph will be meaningful because the Company did not have a CEO before 31 March 2020 and substantially changed its profile and activities on this date. It did not pay dividends in the year under review.

Relative importance of spend on pay

The Directors have considered the requirement to present information on the relative importance of spend on pay compared to other financial metrics. Given that the Company had no trading business, did not generate revenues or pay dividends, we have not considered it necessary to include such information.

UK Remuneration percentage changes

Listed companies are required to make disclosures in respect of percentage year on year changes in the lead executive's and employee remuneration, the ratio of the lead executive's remuneration to that of different employee groups. Because the company did not have a CEO (or any employees) during the year under review, these disclosures are not applicable.

Implementation of remuneration policy for 2020

Base salary

The Committee reviewed the base salary of the Executive Directors who were appointed to the board following the reverse-takeover and considered individual performance, experience and comparable market rates and approved the following salaries for 2020:

	2020 £000	2019 £000
PD Newby	**150**	–
MJ Enright	**120**	–

Annual bonus

The annual bonus for the year to March 2021 will be operated in line with the provisions in the Policy section. The performance targets relate to revenue and EBITDA growth. The maximum bonus opportunity for each of the CEO and CFO is 30% of salary with a bonus of 10% of salary paid for performance in line with target.

The Remuneration Committee is of the opinion that given the commercial sensitivity arising in relation to the targets used for the annual bonus, disclosing precise targets for the bonus plan in advance would not be in Shareholders' interests. Actual targets, performance achieved, and awards made will be published at the end of the performance periods so Shareholders can fully assess the basis of any pay-outs.

Share options

Subject to approval of the Policy and the 2020 LTIP, the company intends to make awards of options in line the provisions in the Policy section to its CEO shortly following the AGM. The awards will be subject to an earnings growth performance condition which will be set out in the award announcement and next year's annual report. The company expects to make awards to Phil Newby as well as other team members from 2021.

Chairman and Non-Executive fees

The Chairman and Non-Executive Directors' fees have been agreed at 31 March 2020 as follows, with no additional remuneration for chairing or being a member of any board committees:

	£000
Chairman base fee	30
Non-Executive Director base fee	30

Sarah Gills
Remuneration Committee Chairman
24 July 2020

Directors' Report
For the year ended 31 March 2020

The directors present their annual report and the audited financial statements of the Group for the year ended 31 March 2020. Results in this report refer to the year ended 31 March 2020, with comparative figures for the year ended 31 March 2019. However, the company – known as Hertsford Capital plc at the time – had a year-end of 30 June and presented accounts for its non-trading period as a cash shell, to 30 June 2019.

Future developments are disclosed in the Strategic Report.

Principal Activity and Business Review
This information is included within the Strategic Report above, as part of the 'Review of the Business' under the Amendment to the Companies Act 2006 of s.414C(2a).

Share Capital
The share capital of the Group is comprised of 30,548,599 ordinary shares each with equal voting rights. Euroblue Investments Limited owns 13.2% of the share capital at 31 March 2020.

Directors' indemnity insurance
As part of the Group, the directors of the Company are covered by insurance against the consequences of actions brought against them in relation to their duties for the Company. Such provision remains in force as at the date of approving the directors' report.

Directors
Each director is proposed for re-election annually by the Nominations Committee. The Company obtained Directors' and Officers' liability insurance after the year-end, as permitted by the Company's articles.

The Board comprised the following directors who served throughout the year and up to the date of this report:

Hon. A R Hambro (appointed as Non-Executive Chairman 31 March 2020)
Ms S E Gills (Non-Executive)
Mr P D Newby (appointed 31 March 2020)
Mr S H Walters (appointed 31 March 2020, resigned 26 June 2020)
Mr W G Watt (Non-Executive appointed 31 March 2020)
Mr R Sargent (Non-Executive resigned 31 March 2020)
Mr H A Hyman (Non-Executive resigned 31 March 2020)

Results and Dividends
The results for the year are set out on page 43.

The Group did not pay a dividend in the year and no dividend is recommended to be paid.

Greenhouse Gas Emissions, Energy Consumption and Energy Efficiency
The Group used an estimated 102,782 kWh of energy in the year to 31 March 2020 which produced an estimated 24 tonnes of CO_2 emissions based on the conversion factors published by the Environment Agency. This equates to 0.67 tonnes of CO_2 per employee. The Group has invested in new IT hardware in the year that is more energy efficient.

Employee Consultation
The Group's policy is to consult and discuss with employees' representatives matters likely to affect their interests. The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various factors affecting the performance of the Group.

Disabled Persons
Applications for employment by disabled persons are given full and fair consideration for accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is given to retrain them in order that their employment with the Group may continue. It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.

Post Year End Events

On 11 March 2020 the World Health Organisation declared a pandemic in relation to the coronavirus outbreak, and on the 23 March 2020 the UK Government imposed strict 'lock down' controls meaning that only essential businesses should continue to operate as normal. Several months into the new financial year, the impact of the Covid-19 pandemic is apparent.

The Group started the year with the visibility provided by a long-term contract rental model for aquaculture and a good order book in our other businesses. Travel and business development activities have been restricted as the Group chases growth in this market and as a result some territories are not progressing as quickly as would otherwise have been the case. However, new orders are being placed and new contracts finalised. OTAQ Offshore has been more heavily impacted by reduced activity in the North Sea oil fields. The next few months will remain unpredictable as working life adjusts to the Covid-19 pandemic. We are ensuring that our businesses take all necessary precautions, in line with government guidelines, and of course we hope that our sites and employees will remain safe and that operations are unaffected. It is impossible, at this stage, to quantify any impact on current year trading as the duration of the pandemic is unpredictable; the only guidance your Board can provide is that the impact will be limited if the outbreak lasts only a short time, and trade should grow significantly thereafter. Although this currently puts the group in a strong position from a trading perspective, it is nevertheless difficult to quantify what overall effects the situation will have.

On 17 May 2020, the Company received a grant of £102,000 from the Scottish Government in order to mitigate the short-term disruption to working capital due to the Covid-19 pandemic.

Going Concern

The consolidated financial statements have been prepared on a going concern basis. The Directors have taken note of guidance issued by the Financial Reporting Council on Going Concern Assessments in determining that this is the appropriate basis of preparation of the financial statements. The Group ended the year to 31 March 2020 with net cash of £2.9 million. This is adjusted for debt-like items being loans to be repaid, deferred acquisition payments, lease liabilities and corporation tax items. This arose through the cash balances acquired from OTAQ plc (known as Hertsford Capital plc at the time), the placing of new shares on 31 March 2020 and share issues by OTAQ Group Limited during 2019. The cash raised was used to fund capital expenditure and the acquisition by OTAQ Group Limited of Link Subsea Limited, subsequently renamed OTAQ Connectors Limited.

The Group entered the new financial year with a strong order book in the Aquaculture division due to long-term contracts in place. OTAQ Offshore Limited is impacted by the low oil price and consequently the reduced customer activity in North Sea oil fields. While the global economic environment remains uncertain, the Directors consider that the Group is appropriately placed to manage its business risks successfully.

The Directors therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Payment Policy

The Group's policy is to agree terms and conditions with suppliers in advance and to pay agreed invoices in accordance with the agreed terms of payment.

Financial risk management objectives and policies

The Group utilises financial instruments (see note 27), comprising cash, loans (previously), leases and various other items such as trade receivables and payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The main risks arising from the Group's financial instruments relate to interest rates, liquidity, credit and foreign currency exposure. The Directors review and agree policies for managing each of these risks, which are described and evaluated in more detail in note 28 and which are summarised below. These policies have been put in place for the newly amalgamated Group.

1. Interest rate risk

The Group finances its operations through a mixture of equity and retained profits (and previously loans). Loans made to the Group were at a fixed interest rate with all loans repaid in April 2020. Finance leases are immaterial to the Group. The interest rate risk to the Group is therefore negligible.

2. Liquidity risk

The Group seeks to manage liquidity risk by ensuring that sufficient funds are available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved through the significant cash balances that the Group currently holds.

3. Credit risk

The Group reviews the credit risk relating to its customers by ensuring, wherever possible, that it deals with long-established trading partners, where the risk of default is considered low. Where considered appropriate, the Group insists on upfront and deposit payments.

4. Currency risk
Although the Group operates in foreign markets, the majority of revenue invoices are issued for payment in Pounds Sterling. The supplier base also predominantly trades in Pounds Sterling. The operations of OTAQ Chile SpA are conducted in Chilean Pesos but this constitutes a minor risk due to the size of that company in relation to the Group. The policy of not entering into forward currency contracts is kept under review and contracts will be entered into if foreign currency cash flows are expected to become less than a minor risk to the Group.

5. Cashflow risk
The Group manages its cashflow through a mixture of working capital, equity and retained profits (and previously loans). With net cash of £2.9 million at the balance sheet date, the Group's cash position is considered to be a key strength.

Statement of Directors' Responsibilities
The directors are responsible for preparing the Strategic Report, Directors' Report and the 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 that law the directors have elected to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS" as adopted by the European Union ("EU")) and have also elected to prepare the parent company financial statements in accordance with IFRS as adopted by the EU. Company law requires that 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 the parent company and profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

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

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

Provision of information to the Auditor
The Directors confirm that:

- so far as each Director is aware, 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 as Directors in order to make themselves aware of any relevant audit information and to establish that the Auditor is aware of that information.

Auditor
The Auditor, RSM UK Audit LLP, has expressed willingness to continue in office. In accordance with section 489(4) of the Companies Act 2006, a resolution to re-appoint RSM UK Audit LLP will be proposed at the Annual General Meeting.

Annual General Meeting
The Annual General Meeting of the Company will be held on Friday 25 September 2020 at 11:00am at the company's registered office, 8-3-4 Harpers Mill, South Road, White Cross, Lancaster, England, LA1 4XF.

On behalf of the Board

Phil Newby
Chief Executive
24 July 2020

Independent Auditor's Report
To the members of OTAQ plc

Opinion
We have audited the financial statements of OTAQ Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the consolidated statement of comprehensive income, consolidated and company statement of financial position, consolidated and company statement of changes in equity, consolidated and company statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.
In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS regulations.

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 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 public interest 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.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Summary of our audit approach

Key audit matters	**Group** • Revenue recognition • Inventory **Parent Company** • No Key audit matters identified that relate to the parent company only.
Materiality	**Group** • Overall materiality: £139,000 • Performance materiality: £104,000 **Parent Company** • Overall materiality: £57,600 • Performance materiality: £43,200
Scope	Our audit procedures covered 91.3% of revenue, 98.2% of total assets and 96% of profit before tax

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

Revenue recognition

Key audit matter description	Revenue in OTAQ Aquaculture and OTAQ Offshore is gained through rental of fixed assets and should therefore be recognised over the life of the contract for the asset. Revenue in OTAQ Connectors is recognised at the point of dispatch. We have identified significant risks in relation to existence, cut-off and the valuation of revenues and have therefore focussed our testing these areas.
How the matter was addressed in the audit	We have performed the detailed testing on all aspects of revenue supplemented by analytical procedures. We have traced a sample of sales to the underlying contracts and delivery notes to determine the existence, cut off and valuation of revenues. We have selected a sample of assets held and traced these to revenues generated to determine the completeness of revenues.

Inventories

Key audit matter description	The introduction of travel restrictions by the UK Government resulting from the COVID-19 pandemic meant we were unable to attend the year end inventory counts carried out by the group at the year end. This gave rise to increased risks in respect of our ability to confirm the physical existence of inventories. The Group completed further inventory counts on 30 June 2020 and 1st July 2020 and subsequently performed a roll back of items counted to the records compiled during the counts completed at the year end.
How the matter was addressed in the audit	We attended the 30 June 2020 and 1st July 2020 inventory counts at all 3 sites via video link. We obtained count sheets from both the year end and June counts and ensured amounts counted were correctly reflected in the financial system. We performed roll back procedures to trace from the amounts we counted in June to the quantities at the financial year end. We reviewed the adjustments posted to the stock system as a result of management's inventory counts

Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
Overall materiality	£139,000	£57,600
Basis for determining overall materiality	5% of loss before tax	1% of total assets (excluding intra-group balances)
Rationale for benchmark applied	Profit growth is seen as the key driver for the shareholders.	The company is a holding company for investments in group companies.
Performance materiality	£104,000	£43,200
Basis for determining performance materiality	75% of overall materiality	75% of overall materiality
Reporting of misstatements to the Audit Committee	Misstatements in excess of £6,960 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £2,880 and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

The group consists of 6 components, which are based in the UK with the exception of one component based in Chile.

The coverage achieved by our audit procedures was:

	Number of components	Revenue	Total assets	Loss before tax
Full scope audit	5	91.3%	98.2%	96%
Total	**5**	**91.3%**	**98.2%**	**96%**

Analytical procedures were performed on the financial information of the remaining component.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on the inside front cover to page 35 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors’ remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company’s corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in:

- the Strategic Report or the Directors’ Report; or
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 of the FCA Rules

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 and the part of the directors’ remuneration report to be audited 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; or
- a corporate governance statement has not been prepared by the parent company.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 35, 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.

As part of our audit, we will consider the susceptibility of the group and parent company to fraud and other irregularities, taking account of the business and control environment established and maintained by the directors, as well as the nature of transactions, assets and liabilities recorded in the accounting records. Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs. However, the principal responsibility for ensuring that the financial statements are free from material misstatement, whether caused by fraud or error, rests with management who should not rely on the audit to discharge those functions.

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

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Board of OTAQ plc on 16 April 2020 to audit the financial statements for the year ending 31 March 2020 and subsequent financial periods.

The period of total uninterrupted engagement is 1 year, covering the year ended 31 March 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

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.

RSM UK Audit LLP

Alastair John Richard Nuttall (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
3 Hardman Street
Manchester
M3 3HF
24 July 2020

FINANCIAL STATEMENTS

AQUACULTURE

OTAQ is recognised across the globe as an aquaculture technology provider that can be relied on to provide world-class products backed up by industry leading levels of support. OTAQ are developing a range of high technology products to meet the demands of the rapidly expanding global aquaculture industry.

In this section

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2020

	Note	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Revenue	4	**3,420**	1,577
Cost of sales		**(1,456)**	(675)
Gross profit		**1,964**	902
Administrative expenses		**(2,862)**	(1,245)
Operating loss	5	**(898)**	(343)
Finance income	7	**2**	2
Finance costs	7	**(158)**	(28)
Share-based payment charge as a result of listing	13	**(661)**	–
Costs of acquisition		**(1,045)**	–
Loss before taxation		**(2,760)**	(369)
Taxation	8	**113**	–
Loss for the year and total comprehensive expenses for the year		**(2,647)**	(369)
Attributable to:			
The Group		**(2,636)**	(365)
Non-controlling interests		**(11)**	(4)
		(2,647)	(369)

The loss for the year arises from the Group's continuing operations.

There were no other items of comprehensive income for the year (2019: £nil) and therefore the loss for the year is also the total comprehensive expenses for the year.

The accompanying notes on pages 46 to 72 form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position
As at 31 March 2020

	Note	**31 March 2020 £'000**	31 March 2019 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	**1,442**	1,524
Right-of-use assets	11	**292**	–
Intangible assets	12	**2,154**	1,515
Total non-current assets		**3,888**	3,039
Current assets			
Trade and other receivables	15	**757**	462
Income tax asset	16	**56**	54
Inventories	17	**972**	537
Cash and cash equivalents	18	**4,087**	368
Total current assets		**5,872**	1,421
Total assets		**9,760**	4,460
EQUITY AND LIABILITIES			
Equity			
Share capital	19	**4,582**	960
Share premium	19	**2,892**	1,924
Share option reserve	25	**559**	–
Merger relief reserve	20	**9,154**	–
Reverse acquisition reserve	20	**(6,777)**	647
Other reserve	20	**–**	355
Revenue reserve	20	**(4,230)**	(1,583)
Total equity		**6,180**	2,303
Non-controlling interest		**–**	(6)
Equity attributable to owners of the parent company		**6,180**	2,297
Non-current liabilities			
Deferred payment for acquisition	21	**232**	418
Deferred tax	23	**90**	90
Financial liabilities	24	**–**	1
Lease liabilities	11	**214**	–
Total non-current liabilities		**536**	509
Current liabilities			
Trade and other payables	22	**2,206**	1,316
Income tax liability	23	**–**	17
Financial liabilities	24	**487**	321
Deferred payment for acquisition	21	**273**	–
Lease liabilities	11	**78**	–
Total current liabilities		**3,044**	1,654
Total liabilities		**3,580**	2,163
Total equity and liabilities		**9,760**	4,460

The accompanying notes on pages 46 to 72 form an integral part of these consolidated financial statements. The financial statements were approved by the board of directors and authorised for issue on 24 July 2020.

Signed on its behalf by:

Phil Newby
Chief Executive

Consolidated Statement of Changes in Equity
For the year ended 31 March 2020

	Note	Share capital £'000	Share premium £'000	Share option reserve £'000	Merger relief reserve £'000	Reverse acquisition reserve £'000	Other reserve £'000	Revenue reserve £'000	Equity attributable to owners of the parent company £'000	Non-controlling interests £'000	Total equity £'000
Balance at 1 April 2018		–	–	–	–	–	(122)	(1,218)	(1,340)	(2)	(1,342)
Loss and total comprehensive expenses for the year		–	–	–	–	–	–	(365)	(365)	(4)	(369)
Issue of share capital		960	2,100	–	–	–	–	–	3,060	–	3,060
Expenses of share issues		–	(176)	–	–	–	–	–	(176)	–	(176)
Group reconstruction		–	–	–	–	647	–	–	647	–	647
Deferred shares to be issued for acquisition of OTAQ Offshore Limited (formerly MarineSense Limited)		–	–	–	–	–	477	–	477	–	477
Balance at 31 March 2019		**960**	**1,924**	**–**	**–**	**647**	**355**	**(1,583)**	**2,303**	**(6)**	**2,297**
Balance at 1 April 2019		**960**	**1,924**	**–**	**–**	**647**	**355**	**(1,583)**	**2,303**	**(6)**	**2,297**
Loss and total comprehensive expenses for the year		–	–	–	–	–	–	(2,647)	(2,636)	(11)	(2,647)
Group reconstruction		3,622	1,109	–	9,154	(7,424)	122	–	6,572	17	6,589
Expenses of share issues		–	(141)		–	–	–	–	(141)	–	(141)
Grant of share options	25	–	–	559	–	–	–	–	559	–	559
Deferred shares to be issued for acquisition of OTAQ Connectors Limited (formerly Link Subsea Limited)		–	–	–	–	–	25	–	25	–	25
Unwinding of discount on deferred cost of OTAQ Offshore Limited (formerly MarineSense Limited) acquisition		–	–	–	–	–	97	–	97	–	97
Unwinding of discount on deferred cost of OTAQ Connectors Limited (formerly Link Subsea Limited)		–	–	–	–	–	4	–	4	–	4
Issue of deferred shares							(603)		(603)	–	(603)
Balance at 31 March 2020		**4,582**	**2,892**	**559**	**9,154**	**(6,777)**	**–**	**(4,230)**	**6,180**	**–**	**6,180**

Consolidated Statement of Cash Flows
For the year ended 31 March 2020

	Note	31 March 2020 £'000	31 March 2019 £'000
Cash flows from operating activities			
Loss before taxation		**(2,647)**	(369)
Adjustments for non-cash/non-operating items:			
Depreciation of property, plant and equipment	10	**579**	337
Loss on disposal of property, plant and equipment		**8**	7
Depreciation of right-of-use assets	11	**20**	–
Amortisation of intangible assets	12	**163**	56
Impairment of goodwill	12	**28**	
Share option charge		**559**	–
Share-based payment charge as a result of listing	13	**661**	–
Non-cash costs of acquisition		**1,216**	–
Finance income		**(2)**	(2)
Finance expense		**158**	28
		3,390	426
Changes in working capital:			
(Increase) in inventories		**(375)**	(47)
(Increase) in trade and other receivables		**(121)**	–
Increase in trade and other payables		**633**	404
Cash from operations		**880**	414
Taxation		**(15)**	–
Net cash from operating activities		**865**	414
Cash flows from investing activities			
Purchases of tangible fixed assets	10	**(497)**	(1,185)
Purchases of intangible assets	12	**(383)**	(231)
Cash acquired on reverse acquisition		**2,601**	–
Net cash on acquisition of OTAQ Offshore Limited (formerly MarineSense Limited)	12	**–**	(229)
Net cash on acquisition of OTAQ Connectors Limited (formerly Link Subsea Limited)	12	**(288)**	–
Interest received		**2**	2
Net cash from/(used in) investing activities		**1,407**	(1,643)
Cash flows from financing activities			
Proceeds from issues of ordinary share capital		**1,500**	1,355
Expenses of share issues		**(141)**	(63)
Proceeds from shareholder loan advances		**175**	51
Principal element of lease payments		**(20)**	–
Repayment of development loan		**(8)**	(15)
Repayment of hire purchase		**(2)**	(4)
Interest paid		**(57)**	(28)
Net cash from financing activities		**1,447**	1,296
Net increase in cash and cash equivalents		**3,719**	67
Cash and cash equivalents at beginning of year		**368**	301
Cash and cash equivalents at end of year		**4,087**	368

Notes to the Financial Statements
For the year ended 31 March 2020

1. Reporting entity
OTAQ plc ("the Company'') and its subsidiaries (together, "the Group'') develop, provide and support the technology for use in the aquaculture industry and offshore oil & gas industries.

The principal activity of the Company is that of a holding company for the Group as well as performing all administrative, corporate finance, strategic and governance functions of the Group.

The Company is a public limited company, which is listed on the London Stock Exchange and domiciled in England and incorporated and registered in England and Wales.

The address of its registered office is 8-3-4 Harpers Mill, South Road, White Cross, Lancaster, England, LA1 4XF. The registered number of the Company is 11429299.

The principal accounting policies adopted by the Group and Company are set out in note 2.

2. Accounting policies
The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied unless otherwise stated.

(a) Basis of preparation
The consolidated financial statements of OTAQ plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), issued by the International Accounting Standards Board (IASB), including interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified for any financial assets which are stated at fair value through profit or loss. The consolidated financial statements of OTAQ plc are presented in pounds sterling, which is the presentation currency for the consolidated financial statements. The functional currency of each of the group entities is Sterling apart from OTAQ Chile SpA which is the Chilean Peso. Figures have been rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

Reverse Takeover of Hertsford Capital plc
On 31 March 2020 the Company, then named Hertsford Capital plc, became the legal parent of OTAQ Group Limited. The consolidated financial statements are presented as proforma to present the substance of the transaction.

The comparative results to 31 March 2019 represent the consolidated position of OTAQ Group Limited prior to the reverse acquisition.

This transaction is deemed outside the scope of IFRS 3 (Revised 2008) and not considered a business combination because the directors have made a judgement that prior to the transaction, Hertsford Capital plc was not a business under the definition of IFRS 3 Appendix A and the application guidance in IFRS 3.B7-B12 due to Hertsford Capital plc being a shell company that had no processes or capability for outputs (IFRS 3.B7).

On this basis, the Directors have developed an accounting policy for this transaction, applying the principles set out in IAS 8.10-12, in that the policy adopted is:
- relevant to the users of the financial information;
- more representative of the financial position,
- performance and cash flows of the Group;
- reflects the economic substance of the transaction, not merely the legal form; and
- free from bias, prudent and complete in all material aspects.

The accounting policy adopted by the Directors applies the principles of IFRS 3 in identifying the accounting acquirer and the presentation of the consolidated financial statements of the legal parent (OTAQ plc) as a continuation of the accounting acquirer's financial statements (OTAQ Group Limited). This policy reflects the commercial substance of this transaction as follows:

- the original shareholders of the subsidiary undertakings are the most significant shareholders post initial public offering, owning 70.5 per cent of the issued share capital; and
- the cash consideration paid as part of the initial public offering returned equity to the original shareholders of the legal subsidiary undertaking and as a consequence diluted their shareholding.

2. Accounting policies continued

(a) Basis of preparation continued

Accordingly, the following accounting treatment and terminology has been applied in respect of the reverse acquisition:

- the assets and liabilities of the legal subsidiary OTAQ Group Limited are recognised and measured in the group financial statements at the pre-combination carrying amounts, without reinstatement to fair value;
- the retained earnings and other equity balances recognised in the group financial statements reflect the retained earnings and other equity balances of OTAQ Group Limited immediately before the business combination, and the results of the year from 1 April 2019 to the date of the business combination are those of OTAQ Group Limited.

However, the equity structure appearing in the group financial statements reflects the equity structure of the legal parent, including the equity instruments issued under the share for share exchange to effect the business combination; the cost of the combination has been determined from the perspective of OTAQ Group Limited.

The fair value of the shares in OTAQ Group Limited has been determined from the OTAQ plc shares prior to its suspension for the trading on the London Stock Exchange for 10 pence per share. The value of the consideration shares was £12,385,000. The fair value of the notional number of equity instruments that the legal subsidiary would have had to have issued to the legal parent to give the owners of the legal parent the same percentage ownership in the combined entity is £3,231,000. The difference between the notional consideration paid by OTAQ plc for OTAQ Group Limited and the OTAQ plc net assets acquired of £2,570,000 has been charged to the consolidated statement of comprehensive income as a share-based payment charge as a result of listing amounting to £661,000 with a corresponding entry to the reverse acquisition reserve.

Transaction costs of equity transactions relating to the issue and re-admission of the Company's shares are accounted for as a deduction from equity where they relate to the issue of new shares and listing costs are charged to the consolidated statement of comprehensive income.

(b) Basis of consolidation

The Group's financial statements consolidate the financial information of OTAQ plc and the entities it controls (its subsidiaries) drawn up to 31 March each year.

All business combinations (except for the Hertsford Capital plc reverse takeover on 31 March 2020 which used the merger accounting method) are accounted for by applying the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Transaction costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

All subsidiaries are entities over which the Group has the power to govern the financial and operating policies. The percentage holdings of the Company in its subsidiaries is set out in note 14. The subsidiaries have been fully consolidated from the date control passed.

All intra–group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. The accounting policies of subsidiaries are amended where necessary to ensure consistency with the policies adopted by the Group.

(c) Going concern

The Group is developing new products for its services, including procurement of hardware for installation on aquaculture sites, principally salmon farms. The Group has invested heavily in the development and procurement of these products and has achieved this through significant funding in the form of equity and debt during the year ended 31 March 2020.

As at 31 March 2020, the Group had cash and cash equivalents of £4,087,000. The directors have prepared and reviewed the Group's funding requirements over the next two years and are confident the Group has sufficient financial resources to meet its financial commitments and strategic objectives.

The Group has experienced some impact due to the Covid-19 pandemic but has taken measures to ensure it can continue to operate. OTAQ Offshore has experienced reduced demand following the year-end and its performance is being continually reviewed but, following updated forecasts and sensitising of those forecasts, is not expected to impact on going concern. A Scottish government grant of £102,000 was received on 17 May 2020 to help mitigate the impact of the reduced demand OTAQ Offshore has experienced.

For these reasons they continue to adopt the going concern basis in preparing Group's financial statements.

2. Accounting policies continued

(d) Functional and presentational currency
The financial statements are presented in pounds sterling, which is the Group's functional currency. All financial information presented has been rounded to the nearest thousand.

(e) Foreign currency transactions
Transactions in foreign currencies are initially recorded in the functional currency by applying the spot rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the Consolidated statement of comprehensive income.

(f) Segmental reporting
An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segmental information is set out in note 4.

(g) Revenue recognition
Revenue is recognised in accordance with IFRS 15. Revenue is recognised when a contract with a customer is held and the performance obligation associated with the customer contract has been satisfied. Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or services, excluding discounts, rebates, VAT and other sales taxes or duties. Revenue under service contracts is recognised over time following the performance obligation being satisfied over time.

(h) Government grants
Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions are met, usually on submission of a valid claim for payment. Government grants of a revenue nature are deducted from administrative expenses in the consolidated statement of comprehensive income in line with the terms of the underlying grant agreement. Government grants relating to capital expenditure are deducted in arriving at the carrying amount of the asset.

(i) Lease payments
The Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable prior to 1 April 2019
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. The costs associated with operating leases are taken to the income statement on an accruals basis over the period of the lease.

Policies applicable from 1 April 2019
The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

2. Accounting policies continued

(i) Lease payments continued

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Administrative expenses' in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

(j) Finance expense

Finance expense comprises interest expense on borrowings. All borrowing costs are recognised using the effective interest method.

(k) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to, the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date. Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured on an undiscounted basis using the tax rates and tax laws that have been enacted or substantively enacted by the date and which are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which differences can be utilised. An asset is not recognised to the extent that the transfer or economic benefits in the future is uncertain.

2. Accounting policies continued

(l) Property, plant and equipment

Property, plant and equipment assets are recognised initially at cost. After initial recognition, these assets are carried at cost less any accumulated depreciation and any accumulated impairment losses. Cost comprises both the aggregate amount paid and the fair value of any other consideration given to acquire the asset, and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is computed by allocating the depreciable amount of an asset on a systematic basis over its useful life and is applied separately to each identifiable component.

The following bases and rates are used to depreciate classes of assets:

Systems for rental	–	straight line over 4 years
Plant and equipment	–	straight line over 4 to 5 years
Office Equipment	–	straight line over 2 to 4 years
Motor vehicles	–	straight line over 3 years

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

All property, plant and equipment item is de-recognised on disposal, or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the de-recognition of the asset is included in the Consolidated statement of comprehensive income in the period of de-recognition.

(m) Intangible assets

Intangible assets acquired either as part of a business combination or from contractual or other legal rights are recognised separately from goodwill, provided they are separable and their fair value can be measured reliably. This includes the costs associated with acquiring and registering patents in respect of intellectual property rights. Trademarks are assessed on recognising fair value of assets acquired by calculating the future net book value of expected cash flows. Development costs are recognised only when costs incurred are part of a project that is expected to generate future profitable revenue.

Where intangible assets recognised have finite lives, after initial recognition their carrying value is amortised on a straight-line basis over those lives. Development costs are amortised once the project to which they relate is viewed to be completed and capable of generating revenue. The nature of those intangibles recognised and their estimated useful lives are as follows:

Intellectual property licence	–	straight line over 4 years
Development costs	–	straight line over 6 years
Trademarks	–	straight line over 8 years

(n) Impairment of assets

At each reporting date the Group reviews the carrying value of its plant, equipment and intangible assets to determine whether there is an indication that these assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an assessment of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used, these calculations corroborated by valuation multiples, or other available fair value indicators. Impairment losses on continuing operations are recognised in the Consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Consolidated statement of comprehensive income unless the asset is carried at re-valued amount, in which case the reversal is treated as a valuation increase.

2. Accounting policies continued

(n) Impairment of assets continued

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

The carrying values of plant, equipment, intangible assets and goodwill as at the reporting date have not been subjected to impairment charges.

(o) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost based on latest contractual prices includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to disposal. Provision is made for slow-moving or obsolete items.

(p) Financial instruments

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Group has only financial assets measured at amortised cost. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non recourse features).

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the income statement. Any gain or loss on derecognition is recognised in the income statement.

2. Accounting policies continued

(p) Financial instruments continued

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

Basic financial liabilities, including trade and other payables and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at hand and deposits with maturities of three months or less.

(r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any expected reimbursement, but only where recoverability of such reimbursement is virtually certain.

Provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

There were no provisions at 31 March 2020 (2019: £nil).

(s) Share capital

Proceeds on issue of shares are included in shareholders' equity, net of transaction costs. The carrying amount is not re-measured in subsequent years.

(t) Investments

Fixed asset investments in subsidiaries are stated at cost less provision for impairment.

(u) Defined contribution pension scheme

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amounts charged against profits represent the contributions payable to the scheme in respect of the accounting period.

(v) New and amended standards adopted by the Company

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2019:

- IFRS 16 "Leases";
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle; and
- Interpretation 23 'Uncertainty over Income Tax Treatments'

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules using the modified retrospective approach. This is disclosed in note and note 12 "Leases". The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods an on foreseeable future transactions.

3. Use of estimates and judgements

The preparation of financial statements requires management to make estimates and judgements that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual amounts could differ from those estimates. Estimates and judgements used in the preparation of the financial statements are continually reviewed and revised as necessary. While every effort is made to ensure that such estimates and judgements are reasonable, by their nature they are uncertain and, as such, changes in estimates and judgements may have a material impact on the financial statements.

The key sources of judgement and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Taxation

Management judgement is required to determine the amount of tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. The carrying value of the unrecognised deferred tax asset for tax losses and other timing differences at 31 March 2020 was £647,000 (2019: £309,000). The value of the deferred tax liability at the year-end is £136,000 (2019: £101,000) and which has not been recognised, as it is covered by accumulated tax losses. Further information is included in notes 8 and 23.

Revenue recognition

Judgements are required as to whether and when contractual obligations have been fulfilled and in turn the period over which systems rental revenue should be recognised. Further information is included in note 4.

Development costs

Management judgement is required to determine the appropriate amount and timing of recognition as an asset development cost incurred on projects to improve and develop products for sale and rental by the group, based upon the likely timing and level of future revenues. The value of the development costs capitalised at 31 March 2020 was £650,000 (2019: £329,000).

4. Segmental information

A segment is a distinguishable component of the Group's activities from which it may earn revenue and incur expenses, whose operating results are regularly reviewed by the Group's chief operational decision makers to make decisions about the allocation of resources and assessment of performance and about which discrete financial information is available. In identifying its operating segments, management generally follows the Group's service line which represent the main products and services provided by the Group.

The directors believe that the Group operates in three primary segments being the rental of intelligent acoustic systems designed to deter seals and sea lions from attacking fish farms (Aquaculture), the rentals of underwater measurement and leak detection devices in the Offshore (oil & gas) market and the manufacture and supply of underwater communication and other marine goods.

All of the Group's revenue have been generated from continuing operations and are from external customers.

	31 March 2020 £'000	31 March 2019 £'000
Analysis of revenue		
Amounts earned from Aquaculture equipment rentals and associated charges	**1,907**	1,331
Amounts earned from Offshore equipment rentals	**617**	142
Amounts earned from the manufacture and supply of underwater communication and other marine goods	**697**	–
Product sales and development income	**199**	104
	3,420	1,577

Included within revenue are amounts earned from system rentals and associated charges from two material customers of £1,041,000 and £506,000 (2019: £770,000 and £485,000).

	31 March 2020 £'000	31 March 2019 £'000
Analysis of gross profit		
Amounts earned from Aquaculture equipment rentals and associated charges	**1,142**	713
Amounts earned from Offshore equipment rentals	**539**	122
Amounts earned from the manufacture and supply of underwater communication and other marine goods	**164**	–
Product sales and development income	**119**	67
	1,964	902

4. Segmental information continued

The Group operates in five main geographic areas, although all are managed in the UK. The Group's revenue per geographical segment based on the customer's location is as follows:

	31 March 2020 £'000	31 March 2019 £'000
Revenue		
UK	**2,620**	1,301
Chile	**298**	178
Middle East	**214**	–
Europe (excluding UK)	**218**	98
North America	**70**	–
	3,420	1,577

The Group's assets are located in the UK and Chile and although some of its tangible assets, in the form of systems for rental, are located in Chile, all are owned by the company or its subsidiaries.

5. Operating loss

Operating loss is stated after charging/(crediting):

	31 March 2020 £'000	31 March 2019 £'000
Depreciation of property, plant and equipment (see note 10)	**579**	336
Depreciation of right of use assets (see note 11)	**20**	–
Amortisation of intangible assets (see note 12)	**191**	56
Operating lease rentals for buildings	**–**	41
Loan write off Mr P D Newby	**–**	40
Organisation development (training, coaching)	**7**	24
Net foreign exchange losses/(gains)	**2**	(3)

Auditor remuneration

	31 March 2020 £'000	31 March 2019 £'000
Audit services:		
Fees payable to the Group's auditor for the audit of the Group and Company annual accounts	**22**	13
Fees payable to the Group's auditor for the audit of the Company's subsidiaries	**53**	11
Fees payable to the Group's auditor and their associates for other services to the Group and Company – other non-audit services	**200**	26
	275	50

The fees payable to the Group's auditor for non-audit services in the year relate to services provided to OTAQ Group Limited and its subsidiaries prior to the reverse acquisition with Hertsford Capital Plc. Since the date of the reverse acquisition no non-audit services have been provided.

6. Staff costs and numbers

The average monthly number of employees (including executive directors) for the continuing operations was:

	31 March 2020 No.	31 March 2019 No.
Directors	**0**	4
Administration	**20**	6
Engineering	**6**	5
Manufacturing	**10**	–
	36	15

Directors are 0 in the year due to executive directors being appointed only on 31 March 2020. Prior year directors are directors of OTAQ Group Limited.

Staff costs for the Group during the year including executive directors:

	31 March 2020 £'000	31 March 2019 £'000
Wages and salaries	**1,967**	834
Social security costs	**149**	66
Other pension costs	**27**	10
	2,143	910

Directors' remuneration

Full details of the directors' remuneration, for current directors, is provided in the audited part of the Directors' Remuneration Report on pages 22 to 32.

Directors' remuneration in the year for current directors is nil due to executive directors only being appointed on 31 March 2020. Directors' remuneration for all directors who resigned during the year was:

Period to 31 March 2020:

	31 March 2020 £'000	31 March 2019 £'000
Remuneration for qualifying services	**20**	–
	20	–

The Group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund.

The charge to the statement of comprehensive income in respect of defined contribution schemes was £27,000 (2019: £10,000). Contributions totalling £5,000 (2019: £2,000) were payable to the fund at the year-end and are included in creditors.

7. Net finance costs

	31 March 2020 £'000	31 March 2019 £'000
Finance income		
Bank interest received	**2**	2
Total finance income	**2**	2
Finance costs		
Bank and loan interest payable	**(56)**	(27)
Unwinding of discount on deferred cost	**(101)**	
Hire and purchase interest payable	**(1)**	(1)
Total finance costs	**(158)**	(28)
Net finance costs	**(156)**	(26)

Notes to the Financial Statements continued
For the year ended 31 March 2020

8. Taxation

The tax credit is made up as follows:

	31 March 2020 £'000	31 March 2019 £'000
Current income tax:		
UK corporation tax (credit)/charge for the year	(51)	18
Research and development income tax credit receivable	(62)	(18)
Total current income tax	(113)	–
Deferred tax expense:		
Origination and reversal of temporary differences	–	–
Total deferred tax	–	–
Tax credit per statement of comprehensive income	(113)	–

The tax charge differs from the standard rate of corporation tax in the UK of 19% for the year ended 31 March 2020, (19% for the year ended 31 March 2019). The differences are explained below:

	31 March 2020 £'000	31 March 2019 £'000
Loss on ordinary activities before taxation	(2,760)	(369)
Add back losses incurred in Chile	107	21
(Deduct losses)/add profits in acquired company pre acquisition	(67)	106
UK loss on ordinary activities before taxation	(2,720)	(242)
UK tax credit at standard rate of 19% (2019: 19%)	(517)	(46)
Effects of:		
Fixed assets timing differences	–	11
Expenses not deductible for tax	268	10
Additional deduction for R&D expenditure	(134)	–
Adjustments in respect of prior year	(50)	(19)
Changes in tax rate	(18)	4
Deferred tax not recognised	338	40
Total taxation credit	(113)	–

The Chancellor announced in the Spring 2020 Budget that the corporation tax rate would remain at 19%, rather than falling to 17% for financial years starting on 1 April 2020. This became substantially enacted on the 17 March 2020 through the Provision of Collection Taxes mechanism as a result of Coronavirus.

The Group has accumulated losses available to carry forward against future trading profits. The estimated value of the deferred tax asset measured at a standard rate of 19% (2019: 17%) is £647,000 (2019: £309,000), of which £Nil (2019: £Nil) has been recognised, as it is not certain that future taxable profits will be available against which the unused tax losses can be utilised.

The Group also has a deferred tax liability being accelerated capital allowances, for which the tax measured at a standard rate of 19% (2019: 17%) is £136,000 (2019: £101,000) and which has not been recognised, as it is covered by accumulated tax losses.

9. Earnings per share

Basic earnings per share is calculated by dividing the loss/profit after tax attributable to the equity holders of the Group by the weighted average number of shares in issue during the year. Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potential dilutive shares, namely share options. The calculation of earnings per share is based on the following earnings and number of shares.

In calculating the weighted average number of ordinary shares outstanding (the denominator of the earnings per share calculation) during the period in which the reverse occurs:

(a) The number of ordinary shares outstanding from the beginning of that period to the acquisition date shall be computed, on the basis of the weighted average number of ordinary shares of the legal acquiree (accounting acquirer) outstanding during the period multiplied by the exchange ratio established in the merger agreement; and

(b) The number of ordinary shares outstanding from the acquisition date to the end of that period shall be the actual number of ordinary shares of the legal acquirer (the accounting acquiree) outstanding during that period.

The basic earnings per share for each comparative period before the acquisition date presented in the consolidated financial statements following a reverse acquisition shall be calculated by dividing:

(a) The profit or loss of the legal acquiree attributable to ordinary shareholders in each of those periods by

(b) The legal acquiree's historical weighted average number of ordinary shares outstanding multiplied by the exchange ratio established in the acquisition agreement.

A reconciliation is set out below.

	2020 £000	2019 £000
Loss for the year attributable to owners of the Group	**(2,636)**	(365)
Weighted average number of shares:		
– Basic	**31,888,358**	16,666,672
– Diluted	**33,690,270**	16,666,672
Basic earnings per share (pence)	**(8.3)**	(2.2)
Diluted earnings per share (pence)	**(7.8)**	(2.2)

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options that are dilutive potential ordinary shares.

	2020 £000	2019 £000
Loss for the year attributable to owners of the Group	**(2,647)**	(365)
Adjusted for:		
Share based payment charge as a result of listing	**661**	–
Cost of acquisition	**1,045**	–
Adjusted loss	**(941)**	(365)

Weighted average number of shares:		
– Basic	**31,888,358**	16,666,672
– Diluted	**33,690,270**	16,666,672
Adjusted basic earnings per share (pence)	**(3.0)**	(2.2)
Adjusted diluted earnings per share (pence)	**(2.8)**	(2.2)

10. Property, plant and equipment

	Systems for rental £'000	Plant and equipment £'000	Motor vehicles £'000	**Total £'000**
COST				
At 1 April 2018	748	57	12	**817**
Additions	1,147	28	10	**1,185**
Acquisition at NBV	35	2	8	**45**
Disposals	–	(24)	–	**(24)**
At 31 March 2019	1,930	63	30	**2,023**
Additions	378	99	20	**497**
Acquisition at NBV	–	8	–	**8**
Disposals	(204)	–	–	**(204)**
At 31 March 2020	**2,104**	**170**	**50**	**2,324**
DEPRECIATION				
At 1 April 2018	148	29	2	**179**
Depreciation charge for year	310	16	10	**336**
Depreciation eliminated on disposals	–	(15)	(1)	**(16)**
At 31 March 2019	458	30	11	**499**
Depreciation charge for year	547	11	21	**579**
Depreciation eliminated on disposals	(196)	–		**(196)**
At 31 March 2020	**809**	**41**	**32**	**882**
NET BOOK VALUE				
At 31 March 2020	**1,295**	**129**	**18**	**1,442**
At 31 March 2019	1,472	33	19	1,524
At 31 March 2018	600	28	10	638

The net carrying value of property, plant and equipment includes the following in respect of assets held under hire purchase contracts:

Net book value:	**2020 £000**	2019 £000
Motor vehicles	**2**	5
Total depreciation charge	**3**	3

11. Leases

Right-of-use assets

	Buildings and facilities £'000	Total £'000
Cost		
At 1 April 2019	–	–
Additions	312	312
At 31 March 2020	312	312
Accumulated depreciation		
At 1 April 2019	–	–
Charge for the year	20	20
At 31 March 2020	20	20
Carrying amount		
At 31 March 2019	–	–
At 31 March 2020	292	292

The Group leases several assets including buildings and facilities. The average lease term by asset is 3.3 years. This term includes an extension option, which the Group is reasonably certain to exercise.

Amounts recognised in profit and loss:

	31 March 2020 £'000
Depreciation expense on right-of-use assets	**20**

The total cash outflow for leases amount to £44,000.

Lease liabilities

Maturity analysis

A maturity analysis of lease liabilities based on discounted gross cash flows is reported in the table below:

	31 March 2020 £'000
Year 1	**78**
Year 2	**73**
Year 3	**55**
Year 4	**47**
Year 5	**39**
Total lease liabilities	**292**

The Group does not face a significant liquidity risk with regard to its lease liabilities. All lease obligations are denominated in pounds sterling.

12. Intangible assets

	Goodwill	Trademarks	IP licence £'000	Development cost £'000	**Total intangible assets £'000**
COST					
At 1 April 2018	–	–	142	133	**275**
Additions	–	–	–	231	**231**
Acquisition related	612	515	–	–	**1,127**
At 31 March 2019	612	515	142	364	**1,633**
Additions	447	–	–	383	**830**
At 31 March 2020	**1,031**	**515**	**142**	**747**	**2,463**
AMORTISATION					
At 1 April 2018	–	–	47	15	**62**
Charge for the year	–	–	36	20	**56**
At 31 March 2019	–	–	83	35	**118**
Charge for the year	–	65	36	62	**163**
Impairment	28	–	–	–	**28**
At 31 March 2020	**28**	**65**	**119**	**97**	**309**
NET BOOK VALUE					
At 31 March 2020	**1,031**	**450**	**23**	**650**	**2,154**
At 31 March 2019	612	515	59	329	1,515
At 31 March 2018	–	–	95	118	213

Intellectual property licenses are amortised on a straight line basis over four years, development costs are amortised on a straight line basis over six years and trademarks are amortised on a straight line basis over eight years. Amortisation provided during the year is recognised in administrative expenses.

Goodwill

In the year, shares were issued for the purchase of the minority interest of 10% in OTAQ Chile SpA valued at £28,000 and this was subsequently written-off.

Goodwill in the prior year has arisen due to the acquisition of OTAQ Offshore Limited (formerly MarineSense Limited). The current year addition has arisen due to the acquisition of OTAQ Connectors Limited (formerly Link Subsea Limited).

Acquisition of OTAQ Connectors Limited (formerly Link Subsea Limited)

(a) Summary of acquisition

On 29 April 2019 OTAQ Group Limited acquired 100% of the issued share capital of Link Subsea Limited (subsequently renamed OTAQ Connectors Limited), a supplier of connectors, penetrators and underwater communication products for the offshore, seismic, commercial, diving and nuclear energy industries. The acquisition has significantly increased the Group's market share in these industries. Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration:

	£'000
Cash paid	642
Ordinary shares issued	66
Deferred consideration, including:	
Cash	87
Shares	25
Total purchase consideration	820

The deferred consideration consists of 8 shares to be issued to the former owners of Link Subsea Limited (subsequently renamed OTAQ Connectors Limited) on the first anniversary of the acquisition plus half of the deferred cash payment; on the second anniversary of completion a further 7 shares will be issued together with a final payment of the balance of the deferred cash payment. There is no contingent consideration.

12. Intangible assets continued

Acquisition of OTAQ Connectors Limited (formerly Link Subsea Limited) continued

The fair value of the 35 shares issued as part of the consideration paid for Link Subsea Limited ((subsequently renamed OTAQ Connectors Limited) at completion date as well as the fair value of 15 deferred consideration shares was based on OTAQ Group Limited's share price of £1,900 per share determined as a result of valuation performed in April 2019. The 15 deferred shares were issued in March 2020 earlier than intended at £1,900, the price prevailing at that time.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Carrying value £000	Adjustment £000	Fair value £000
Property	3	–	3
Plant and machinery	4	–	4
Office equipment	1	–	1
Inventories	60	–	60
Account receivables	174	–	174
Cash	354	–	354
Trade creditors	(65)	–	(65)
Payroll taxation	(2)	–	(2)
Other employee benefit obligations	(3)	–	(3)
Corporate tax liability	(115)	–	(115)
VAT liability	(10)	–	(10)
Net identifiable assets acquired	401	–	401
Add: goodwill			419
Net assets acquired			820

The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes. The company manufactures a range of industry standard products and has not historically used trade names, so the directors consider there are no intangibles to be recognised at fair value. The fair value of acquired receivables is £174,000. The gross contractual amount for trade receivables due is £174,000 none of which is expected to be uncollectible.

(b) Purchase consideration – cash outflow

	2020 £'000	2019 £'000
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	**643**	–
Less: cash acquired	**(354)**	–
Net outflow of cash – investing activities	**289**	–

Acquisition of OTAQ Offshore Limited (formerly MarineSense Limited)

(a) Summary of acquisition

On 23 November 2018 OTAQ Group Limited acquired 100% of the issued share capital of MarineSense Limited (subsequently renamed OTAQ Offshore Limited), a developer and lessor of measuring equipment and cameras equipment for underwater use by the offshore industry. Details of the purchase consideration, the net assets acquired, and goodwill are as follows:

	£000
Purchase consideration (refer to (f) below):	
Cash paid	250
Ordinary shares issued	249
Deferred consideration, including:	
Cash	230
Shares	477
Contingent consideration	188
Total purchase consideration	1,394

The deferred consideration consists of 151 shares payable to the former owners of MarineSense Limited (subsequently renamed OTAQ Offshore Limited) on the first anniversary of the acquisition, a deferred cash payment as shown due on the second anniversary of completion, and a final payment of 151 shares on the third anniversary. Details of the contingent consideration are set out in (b) overleaf.

12. Intangible assets continued

Acquisition of OTAQ Offshore Limited (formerly MarineSense Limited) continued

(a) Summary of acquisition continued

The fair value of the 151 shares issued as part of the consideration paid for MarineSense Limited (subsequently renamed OTAQ Offshore Limited) at completion date was £1,650, the price prevailing at the time. The fair value of 302 deferred consideration shares was based on OTAQ Group Limited's share price of £1,900 per share determined as a result of valuation performed in April 2019. The fair value of the deferred cash payment and the contingent consideration, totalling £418,000, are included in financial liabilities. See also note 21 to the consolidated financial statements.

The remaining 151 deferred shares were issued in March 2020 earlier than the intended third anniversary date at £1,900, the price prevailing at that time.

The assets and liabilities recognised as a result of the acquisition are as follows:

	Carrying value £000	Adjustment £000	Fair value £000
Tangible fixed Assets	45	–	45
Intangible asset: trademarks	–	515	515
Inventories	206	–	206
Accounts receivable	140	–	140
Cash	21	–	21
Liabilities	(57)	–	(57)
Deferred tax on intangibles recognised		(88)	(88)
Net identifiable assets acquired	355	427	782
Add: goodwill			612
Net assets acquired			1,394

Fair value adjustment pertains to recognition of MarineSense Limited's (subsequently renamed OTAQ Offshore Limited) trademarks on acquisition. The goodwill is attributable to the knowledge and the high profitability of the acquired business. It will not be deductible for tax purposes.

(b) Significant estimate: contingent consideration

In the event that on the third anniversary of completion the market value of OTAQ Group Limited's shares is less than £3,320 per share, a sum up to £250,000 might be payable to the previous owners. The fair value of the contingent consideration of £188,000 was estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 10% and assumed the market value of OTAQ Group Limited's shares on the third anniversary of completion of £1,900 per share.

In the event that certain pre-determined earnings before interest and taxes (EBIT) are achieved by the subsidiary for the year ended 31 March 2020, additional consideration of up to £150,000 might be payable in cash once the subsidiaries audited accounts for the year ended 31 March 2020 are available. The directors believe that the current forecast means that this earn out will not be achieved.

(c) Acquired receivables

The fair value of acquired receivables is £140,000. The gross contractual amount for trade receivables due is £140,000, none of which is expected to be uncollectible.

(d) Material intangible assets

The trademarks held by MarineSense Limited (subsequently renamed OTAQ Offshore Limited) are material to the Group. On average these trademarks have a remaining amortisation period of 5 years.

(e) Revenue and profit contributions

The acquired business contributed revenues of £142,000 and profit of £7,000 after tax to the group for the period from 23 November 2018 to 31 March 2019.

If the acquisition had occurred on 1 April 2018, consolidated revenue and profit for the year ended 31 March 2019 would have been higher by £339,000 and £107,000 respectively.

12. Intangible assets continued

Acquisition of OTAQ Offshore Limited (formerly MarineSense Limited) continued

(f) Purchase consideration – cash outflow

	2019 £'000	2018 £'000	2017 £'000
Outflow of cash to acquire subsidiary, net of cash acquired			
Cash consideration	250	–	–
Less: cash acquired	(21)	–	–
Net outflow of cash – investing activities	229	–	–

(g) Acquisition-related costs

Acquisition-related costs of £24,000(2018: £nil) (2017: £nil) that were not directly attributable to the issue of shares are included in administrative expenses in profit or loss and in operating cash flows in the consolidated statement of cash flows.

13. Business combination

On 31 March 2020 Hertsford Capital plc became the legal parent of OTAQ Group Limited by way of reverse acquisition. The cost of the acquisition is deemed to have been incurred by OTAQ Group Limited, the legal subsidiary in the form of equity instruments issued to the owners of the legal parent. This acquisition has been accounted for as a reverse acquisition as described in Note 2(a), Basis of Preparation.

The fair value of the shares in OTAQ Group Limited has been determined from the Hertsford Capital plc's shares prior to its suspension for the trading on LSE for 10 pence per share. The value of the consideration shares was £12,385,000. The fair value of the notional number of equity instruments that the legal subsidiary would have had to have issued to the legal parent to give the owners of the legal parent the same percentage ownership in the combined entity is £3,231,000. The difference between the notional consideration paid by Hertsford Capital plc for OTAQ Group Limited and the Hertsford Capital plc net assets acquired of £2,570,000 has been charged to the consolidated statement of comprehensive income as a share-based payment charge as a result of listing amounting to £661,000 with a corresponding entry to the reverse acquisition reserve.

Details of net assets acquired and the share-based payment charge as a result of listing are as follows:

		31 March 2020 £'000
Consideration effectively transferred		3,231
Less net assets acquired		
Cash	2,601	
Debtors	63	
Creditors	(94)	2,570
		661

14. Subsidiaries of the Group

The principal subsidiaries of the Group at 31 March 2020 are as follows:

Subsidiary undertakings	Country of incorporation	Principal activity	Class of shares held	% Held
OTAQ Group Limited	England	Fish farm security; rental and sale to offshore and gas industry	Ordinary	100% direct
OTAQ Aquaculture Limited (formerly OTAQ Limited)	Scotland	Fish farm security	Ordinary	100% indirect
OTAQ Chile SpA	Chile	Fish farm security	Ordinary	100% indirect
OTAQ Offshore Limited (formerly MarineSense Limited)	Scotland	Rental and sale to offshore and gas industry	Ordinary	100% indirect
OTAQ Connectors Limited (formerly Link Subsea Limited)	England	Manufacture and supply of underwater communication and other marine goods	Ordinary	100% indirect

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15. Trade and other receivables

	31 March 2020 £'000	31 March 2019 £'000
Amounts falling due within one year:		
Trade receivables	**406**	370
Prepayments	**106**	57
Other	**245**	35
	757	462

Trade receivables are non-interest bearing and are generally due and paid within 30 days. The directors consider that the carrying amount of trade and other receivables approximates to their fair value and that no impairment is required at the reporting date. Trade and other receivables represent financial assets and are considered for impairment on an expected credit loss model. Therefore, there is no provision for impairment at the statement of financial position date (2019: £Nil).

The Group's trade receivables at 31 March 2020 include £174,000 for OTAQ Connectors Limited (formerly Link Subsea Limited) added at date of acquisition (2019: £140,000 for OTAQ Offshore Limited (formerly MarineSense Limited)).

16. Income tax asset

	31 March 2020 £'000	31 March 2019 £'000
Research and development income receivable	**56**	54
	56	54

17. Inventories

	31 March 2020 £'000	31 March 2019 £'000
Stock	**972**	536
Work in progress	**–**	1
	972	537

The Group's inventories at 31 March 2020 include £60,000 for OTAQ Connectors Limited (formerly Link Subsea Limited) inventories added at date of acquisition (2019: £206,000 for OTAQ Offshore Limited (formerly MarineSense Limited)).

The value of inventory provided for as at 31 March 2020 is £90,000 (2019: nil). £1,211,000 of stock was expensed in the year through cost of sales. (2019: £1,020,000)

18. Cash and cash equivalents

	31 March 2020 £'000	31 March 2019 £'000
Cash at bank and in hand	**4,087**	368
	4,087	368

Cash at banks earns interest at floating rates based on daily bank deposit rates. An analysis of cash and cash equivalents by denominated currency is given in note 28.

19. Share capital and share premium

The called-up and fully paid share capital of the Company is as follows:

	31 March 2020 £'000	31 March 2019 £'000
Allotted, called-up and fully paid: 30,548,599 (2019: 32,000,005) Ordinary shares of £0.15 each (2019: £0.03 each)	**4,582**	960

On 10 March 2020, the Company announced that it had agreed to acquire the entire issued and to be issued share capital of OTAQ Group Limited. The consideration for the acquisition was £12,385,000 comprising the issue on 31 March 2020, credited as fully paid, of 21,539,904 consideration shares to the OTAQ shareholders at a price of 57.5 pence per ordinary share amounting to £12,385,000 in total and being at a ratio of five OTAQ plc (then Hertsford Capital plc) shares for every one share owned in OTAQ Group Limited.

19. Share capital and share premium continued

The acquisition, resulted in OTAQ plc (then Hertsford Capital plc) becoming an operating company instead of an investing company, and constituted a reverse takeover. On the same date, the Company issued a further 2,608,694 placing shares through the placing at the placing price of 57.5 pence per ordinary share to satisfy the payment of certain fees amounting circa £1,000,000 in connection with the acquisition.

A summary of the shares issued is as follows:

	Number of shares	Share capital £'000	Share premium £'000	Merger relief reserve £'000	Total £'000
At 31 March 2019		960	1,924	–	2,884
Issue of shares to acquire OTAQ Group Limited	21,539,904	3,231	–	9,154	12,385
Shares issued	2,608,694	391	1,109	–	1,500
Expenses of share issues		–	(141)	–	(141)
Total shares issued	24,148,598	4,582	2,892	9,154	16,628

A reconciliation of share capital is set out below:

	Number of shares	Allocated, called up and fully paid £'000
At 31 March 2019	32,000,005	960
Existing shares 1-to-5 conversion at acquisition	(25,600,004)	–
Shares issued during the year	24,148,598	3,622
At 31 March 2020	30,548,599	4,582

Share premium

The share premium account represents the amount received on the issue of ordinary shares by the Company in excess of their nominal value and is non-distributable.

20. Reserves

Share option reserve

The share option reserve arises from the requirement to value share options in existence at the year end at fair value. Further details of share options are included at note 25.

Merger relief reserve

The merger relief reserve arose on the Company's reverse acquisition of OTAQ Group Limited and relates to the share premium on the 21,539,904 shares issued to acquire OTAQ Group Limited.

Reverse acquisition reserve

The reverse acquisition reserve was created in accordance with IFRS 3 'Business Combinations'. The reserve arises due to the elimination of the Company's investment in OTAQ Group Limited. Since the shareholders of OTAQ Group Limited became the majority shareholders of the enlarged group, the acquisition is accounted for as though there is a continuation of the legal subsidiary's financial statements. In reverse acquisition accounting, the business combination's costs are deemed to have been incurred by the legal subsidiary.

Other reserve

In the prior year, the balance classified as other reserve of £477,000 represents the value of deferred shares to be issued as part of the consideration for the acquisition of OTAQ Offshore Limited (formerly MarineSense Limited).

On 29 April 2019, OTAQ Group Limited acquired 100% of the issued share capital of OTAQ Connectors Limited (formerly Link Subsea Limited) of which an amount of £25,000 was recorded as the value of deferred shares to be issued as part of the consideration.

On 31 March 2020, the deferred shares were issued earlier than intended hence the other reserve balance was nil at 31 March 2020.

Revenue reserve

The revenue reserve accumulates the losses attributable to the equity holders of the parent company.

21. Deferred payment for acquisition

	31 March 2020 £'000	31 March 2019 £'000
Current		
Fair value of deferred cash consideration on the acquisition of OTAQ Offshore Limited (formerly MarineSense Limited)	**230**	–
Fair value of deferred cash consideration on the acquisition OTAQ Connectors Limited (formerly Link Subsea Limited)	**43**	
	273	–
Non-current		
Fair value of deferred and contingent consideration on the acquisition of OTAQ Offshore Limited (formerly MarineSense Limited)	**188**	418
Fair value of deferred cash consideration on the acquisition OTAQ Connectors Limited (formerly Link Subsea Limited)	**44**	–
	232	418

	31 March 2020 £'000	31 March 2019 £'000
Deferred payment for acquisition movement		
Opening balance	**418**	–
Additions on acquisition (discounted)	**87**	418
Closing balance	**505**	418

As part of the acquisition of OTAQ Offshore Limited (formerly MarineSense Limited) on 23 November 2018, there is a deferred cash payment of £230,000 due on the secondary anniversary of completion. There is also a contingent consideration in place in that in the event that on the third anniversary of completion the market value of OTAQ plc's share is less than 64p per share, a sum of up to £250,000 might be payable to the previous owners. The fair value of the contingent consideration of £188,000 was estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 10% and assumed the market value of OTAQ plc's shares on the third anniversary of completion of 36 pence per share. The fair value of the deferred cash payment and the contingent consideration, totalling £418,000, are included in liabilities as shown above.

As part of the acquisition of OTAQ Connectors Limited (formerly Link Subsea Limited) on 29 April 2019, there is deferred cash payment of £87,000, half of which is due on the first anniversary of completion and the remaining half on the second anniversary of completion.

22. Trade and other payables

	31 March 2020 £'000	31 March 2019 £'000
Amounts falling due within one year:		
Trade payables	**955**	396
Accrued expenses	**946**	661
Deferred revenue	**198**	185
Other creditors	**107**	74
	2,206	1,316

Trade and other payables comprise amounts outstanding for trade purchases and on-going costs. All trade and other payables are due in less than 1 year. Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period on purchases is 30 days. No interest is paid on trade payables over 30 days.

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

The Group's trade and other payables at 31 March 2020 include £195,000 for OTAQ Connectors Limited (formerly Link Subsea Limited) added at date of acquisition (2019: £57,000 for OTAQ Offshore Limited (formerly MarineSense Limited)).

23. Deferred tax and Income tax liability

	31 March 2020 £'000	31 March 2019 £'000
Corporation tax liability		
Taxation on profits	–	17
	–	17
Deferred tax liability		
Deferred taxation due to timing differences	**2**	2
Deferred taxation on intangibles recognised at acquisition	**88**	88
	90	90

24. Financial liabilities

	31 March 2020 £'000	31 March 2019 £'000
Current		
Interest bearing loans	**486**	311
Development loan	–	8
Hire purchase	**1**	2
	487	321
Repayable between one and five years		
Hire purchase loan	–	1
	–	1

The interest bearing loans are due to various shareholders and are repayable within 12 months. The loan agreements show an interest rate of 10%. The loans were taken out as follows:

- £206,000 in January 2018
- £80,000 in March 2018
- £25,000 in May 2018
- £50,000 in May 2019
- £2,500 in May 2019
- £35,000 in May 2019
- £15,000 in May 2019
- £100,000 in May 2019

In June 2019, a loan of £27,500 was converted into 15 shares at a value of £1,900 per share, the price prevailing at the time, plus a balancing payment of £1,000.

All loans interest bearing loans were repaid in April 2020.

The development loan originally totalled £50,000 and comprised two tranches of £25,000 each. Each tranche is repayable over 36 months and bears interest at 4% per annum. The loan was fully repaid on 31 July 2019.

The hire purchase loan is repayable over 36 months and bears interest rate at 8%.

25. Share options

Prior to admission on the Main Market of London Stock Exchange, 438,312 share options equating to 1.43 per cent of the share capital of the Company were granted to Jag Mundi (a director and Chairman of OTAQ Group Limited up to admission), and 1,043,600 share options equating to 3.42 per cent of the share capital were granted to Philip Newby (a director) under the Share Option Scheme, subject to certain performance criteria.

In addition, 320,000 share warrants equating to 1.05 per cent of the share capital were granted to various key management personnel on admission.

An option-holder has no voting or dividend rights in the Company before the exercise of a share option.

The estimated average fair value of each share options and warrants granted in the Share Option Scheme was £0.31. This estimated fair value was calculated by applying a Monte-Carlo option pricing model. Looking In the absence of a liquid market for the share capital of the group the expected volatility of its share price is difficult to calculate. Therefore, the directors have considered the expected volatility used by listed entities in similar operating environments to calculate the expected volatility.

The model inputs were:

- share prices at grant date of £0.57;
- exercise prices of £0.001 to £0.50;
- expected volatility of 40%;
- contractual life of 3 to 10 years; and
- a risk-free interest rate of 1%.

The total reserve and share-based payment expense recognised in the statement of comprehensive income for the year ended 31 March 2020 in respect of these options granted was £559,000.

229,592 share options granted to Philip Newby have a vesting condition requiring the share price to be £0.728 on or before 31 March 2021. A further 229,592 share options granted to Philip Newby have a vesting condition requiring the share price to be £1.093 on or before 31 March 2022.

26. Commitments and contingences

Capital commitments

The Group is committed to the following capital expenditure contracted in the current financial year:

	31 March 2020 £'000	31 March 2019 £'000
	360	149

Contingencies

There were no contingent liabilities at 31 March 2020 and 31 March 2019.

27. Financial instruments – classification and measurement

Financial assets

Financial assets measured at amortised cost comprise trade receivables and cash, as follows:

	31 March 2020 £'000	31 March 2019 £'000
Trade receivables	**407**	370
Cash at bank and in hand	**4,087**	368
	4,494	738

27. Financial instruments – classification and measurement continued

Financial liabilities

Financial liabilities measured at amortised cost comprise trade and other creditors, loans, deferred payment for acquisition and lease liabilities as follows:

	31 March 2020 £'000	31 March 2019 £'000
Trade payables	**955**	396
Other creditors	**107**	74
Loans	**487**	322
Deferred payment for acquisition	**505**	418
Lease liabilities	**292**	–
	2,346	1,210

28. Financial risk management

The Group's activities expose it to a variety of financial risks: interest rate risk, liquidity risk, market risk, currency risk and credit risk. Risk management is carried out by the board of directors. The Group uses financial instruments to provide flexibility regarding its working capital requirements and to enable it to manage specific financial risks to which it is exposed.

The Group finances its operations through a mixture of equity finance, cash and liquid resources and various items such as trade debtors and trade creditors which arise directly from the Group's operations.

(a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows associated with the instrument will fluctuate due to changes in market interest rates.

Interest bearing assets including cash and cash equivalents are considered to be short-term liquid assets. It is the Group's policy to settle trade payables within the credit terms allowed and the Group does therefore not incur interest on overdue balances.

The Group has external borrowings at fixed rates, therefore the risk is limited to the reduction of interest received on cash surpluses held at bank which receive a floating rate of interest. The principal impact to the Group is the result of interest-bearing cash and cash equivalent balances held as set out below.

	31 March 2020			31 March 2019		
	Fixed rate £'000	Floating rate £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Total £'000
Cash at bank and in hand	**–**	**4,087**	**4,087**	–	368	368
Interest bearing loans	**(487)**	**–**	**(487)**	(322)	–	(322)
Total	**(487)**	**4,087**	**3,600**	(322)	368	46

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities. Liquidity risk arises from the repayment demands of the Group's lenders.

The Group manages all of its external bank relations centrally. Any material change to the Group's principal banking facility requires approval by the board. The cash requirements of the Group are forecasted by the board annually. The Group is not dependent on any external borrowings.

At the reporting date the Group was cash positive.

The following tables set out the maturity profile of the Group's non-derivative financial liabilities, based on undiscounted contractual cash outflows, as at the following dates:

	31 March 2020 £'000	31 March 2019 £'000
Trade and other payables		
Less than 2 months	**1,062**	470
Other financial liabilities		
Less than 2 months	**273**	–
3 months - 1 year	**565**	321
1 - 5 years	**446**	419
Total	**2,346**	1,210

28. Financial risk management continued

(c) Capital risk management

The Group reviews its forecast capital requirements on a half-yearly basis to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders. It is the current strategy of the Group to finance its activities from existing equity and reserves and by the issue of new equity as required.

The capital structure of the Group consists of equity attributable to equity holders, comprising issued share capital, share premium, other reserves and retained earnings as disclosed in notes 19 to 20 and the statement of changes in equity. Total equity attributable to the equity holders of the parent company was £6,180,000 at 31 March 2020 (31 March 2019: £2,303,000).

The Group is not subject to externally imposed capital requirements.

(d) Credit risk management

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group and the risk that any debtors of the Group may default on amounts due to the Group. The Group's principal financial assets are trade receivables, other debtors and cash equivalents.

The Group has a policy of only dealing with credit worthy counterparties. The Group had £407,000 of trade receivables at the year end (2019: £370,000). The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer or counterparty. However, management also considers the factors that may influence the credit risk of its customer or counterparty base, including the default risk associated with the industry and country in which the customer or counterparty operates. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. All trade receivables are ultimately overseen by the director responsible for finance and are managed on a day-to-day basis by the finance team. Credit limits are set as deemed appropriate for the customer.

The maximum exposure to credit risk in relation to cash and cash equivalents is the carrying value at the statement of financial position date.

(e) Currency risk

The Group has limited exposure to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Group. The risk is in respect of Euros and Chilean Pesos. Transactions outside this currency are limited.

The Group may use forward exchange contracts as an economic hedge against currency risk, where cash flow can be judged with reasonable certainty. Foreign exchange swaps and options may be used to hedge foreign currency receipts in the event that the timing of the receipt is less certain. There were no open forward contracts as at 31 March 2020 or at 31 March 2019 and the Group did not enter into any such contracts during 2020 nor 2019.

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows:

	31 March 2020				31 March 2019			
	GBP £'000	CLP £'000	EUR £'000	Total £'000	GBP £'000	CLP £'000	EUR £'000	Total £'000
Cash at bank and in hand	4,061	22	4	4,087	323	25	20	368
Trade receivables	359	42	6	407	337	15	18	370
Trade payables	(735)	(220)	–	(955)	(316)	(80)	–	(396)
Total	3,685	(156)	10	3,539	344	(40)	38	342

Sensitivity analysis to movement in exchange rates

Given the immaterial asset balances in foreign currency, the exposure to a change in exchange rate is negligible.

(f) Offsetting financial assets and financial liabilities

The Group has not presented any of its financial assets and financial liabilities on a net basis and no master netting arrangements are in place.

29. Related party transactions

Transactions with directors and companies controlled by directors

The following transactions with directors and companies controlled by directors of the Company were recorded, including VAT, during the year:

	31 March 2020 £'000	31 March 2019 £'000
Charges incurred during the year by OTAQ Aquaculture Limited:		
Corsie Technology Limited – a company controlled by a director		
For goods and services provided	**97**	81
Charges incurred during the year by OTAQ Group Limited:		
Enhansis – a company controlled by a director		
For goods and services provided	**12**	–
Mont Jolly – a company controlled by a director		
For goods and services provided	**90**	65
Qualitek – a company controlled by a director		
For goods and services provided	**24**	–
Headline FD – a company controlled by a director		
For goods and services provided	**71**	–
ROS Technology Limited – a company controlled by a director		
For management charges invoiced	**8**	1

	31 March 2020 £'000	31 March 2019 £'000
Balances outstanding at year end with OTAQ Aquaculture Limited:		
Corsie Technology Limited – a company controlled by a director		
Invoices payable by the Company	**–**	–
Balances outstanding at year end with OTAQ Group Limited:		
Enhansis – a company controlled by a director		
Invoices payable by the Company	**12**	9
Mont Jolly – a company controlled by a director		
Invoices payable by the Company	**8**	–
Qualitek – a company controlled by a director		
Invoices payable by the Company	**5**	–
Headline FD – a company controlled by a director		
Invoices payable by the Company	**58**	–
ROS Technology Limited – a company controlled by a director		
Invoices payable by the Company	**–**	10
Various shareholders		
Short term loans payable by the Company (see note 18)	**486**	311

Transactions with parent and group undertakings

The following table summarises intercompany trade between OTAQ Group Limited and its subsidiary entities:

	31 March 2020 £'000	31 March 2019 £'000
Goods supplied and management charges raised by OTAQ Group Limited to its subsidiaries:		
OTAQ Aquaculture Limited (formerly OTAQ Limited)	**749**	845
OTAQ Chile SpA	**122**	70
OTAQ Offshore Limited (formerly MarineSense Limited)	**5**	–
	876	915

Notes to the Financial Statements continued
For the year ended 31 March 2020

29. Related party transactions continued

Transactions with parent and group undertakings continued

The following table summarises intercompany balances at the year end between the Company and its parent and its subsidiary entities:

	31 March 2020 £'000	31 March 2019 £'000
Amounts owed to OTAQ plc by its subsidiaries for goods and services provided:		
OTAQ Group Limited	**1,500**	–
Amounts owed to OTAQ Group Limited by its subsidiaries for goods and services provided:		
OTAQ Aquaculture Limited (formerly OTAQ Limited)	**762**	–
OTAQ Chile SpA	**113**	–
OTAQ Offshore Limited (formerly MarineSense Limited)	**6**	–
Short-term loan owed to OTAQ Group Limited by its subsidiaries:		
OTAQ Aquaculture Limited (formerly OTAQ Limited)	**–**	410
OTAQ Chile SpA	**99**	–
	2,480	410

	31 March 2020 £'000	31 March 2019 £'000
Amounts owed by OTAQ plc to its subsidiaries:		
OTAQ Group Limited	**417**	–
Short-term loan owed by OTAQ Group Limited to its subsidiaries:		
OTAQ Aquaculture Limited (formerly OTAQ Limited)	**1,123**	129
OTAQ Offshore Limited (formerly MarineSense Limited)	**161**	–
OTAQ Connectors Limited (formerly Link Subsea Limited)	**202**	–
	1,903	129

There were no formal terms of repayment in place for the loans and it has been confirmed by the directors that the loans will not be recalled within the next twelve months. The loans are not interest bearing.

In relation to the reverse takeover that took place on 31 March 2020 (see note 2), OTAQ Group Limited received proceeds from issuance of new shares on behalf of OTAQ plc (formerly Hertsford Capital plc) of £1,500,000 (2019: £nil) and paid listing expenses on behalf of OTAQ plc (formerly Hertsford Capital plc) of £417,000 (2019: nil).

30. Subsequent events

On 11 March 2020 the World Health Organisation declared a pandemic in relation to the coronavirus outbreak, and on the 23 March 2020 the UK Government imposed strict 'lock down' controls meaning that only essential businesses should continue to operate as normal. Several months into the new financial year, the impact of the Covid-19 pandemic is apparent. The Group started the year with the visibility provided by a long-term contract rental model for aquaculture and a good order book in our other businesses. Travel and business development activities have been restricted as the Group chases growth in this market and as a result some territories are not progressing as quickly as would otherwise have been the case. However, new orders are being placed and new contracts finalised. OTAQ Offshore has been more heavily impacted by reduced activity in the North Sea oil fields. The next few months will remain unpredictable as working life adjusts to the Covid-19 pandemic. We are ensuring that our businesses take all necessary precautions, in line with government guidelines, and of course we hope that our sites and employees will remain safe and that operations are unaffected. It is impossible, at this stage, to quantify any impact on current year trading as the duration of the pandemic is unpredictable; the only guidance your Board can provide is that the impact will be limited if the outbreak lasts only a short time, and trade should grow significantly thereafter. Although this currently puts the group in a strong position from a trading perspective, it is nevertheless difficult to quantify what overall effects the situation will have.

OTAQ Offshore Limited, a subsidiary company, received a grant of £102,000 in May 2020 related to Coronavirus interruptions from the Pivotal Enterprise Resilience fund.

On 9th April 2020, OTAQ UK Limited was incorporated and registered in England and Wales with company number 12553891. On 29th April 2020, OTAQ Group UK Limited incorporated and registered in England and with company number 12579190. Both companies registered address is 8-3-4 Harpers Mill, South Road, White Cross, Lancaster, England, LA1 4XF and both companies are subsidiaries of OTAQ Group Limited.

Company Balance Sheet
As at 31 March 2020

	Note	31 March 2020 £'000	30 June 2019 £'000
ASSETS			
Non-current assets			
Investment in subsidiaries		**3,231**	–
Total non-current assets		**3,231**	–
Current assets			
Trade and other receivables		**1,575**	5
Cash and cash equivalents		**2,602**	2,840
Total current assets		**4,177**	2,845
Total assets		**7,408**	2,845
EQUITY AND LIABILITIES			
Equity			
Share capital		**4,582**	960
Share premium		**2,892**	1,924
Share option reserve		**559**	4
Revenue reserve		**(1,132)**	(56)
Total equity		**6,901**	2,832
Current liabilities			
Trade and other payables		**507**	13
Total current liabilities		**507**	13
Total liabilities		**507**	13
Total equity and liabilities		**7,408**	2,845

As permitted s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. On 31 March 2020 the Company changed its accounting period to 31 March from 30 June in order to align with the rest of the Group's accounting periods. The Company's loss for the period from 1 July 2019 to 31 March 2020 was £1,076,000 (2019: £56,000 for the period from 22 June 2018 to 30 June 2019).

These financial statements were approved by the Board of Directors on 24 July 2020.

Signed on behalf of the Board by:

Mr P D Newby
Director
Company number: 11429299

Company accounting policies are in line with Group – See Group note 2.

The accompanying notes on pages 76 to 80 form an integral part of these financial statements.

Company Statement of Changes in Equity

For the period ended 31 March 2020

	Note	Share capital £'000	Share premium £'000	Share option reserve £'000	Revenue reserve £'000	Total equity £'000
On incorporation		–	–	–	–	–
Loss and total comprehensive expenses for the period		–	–	–	(56)	(56)
Issue of share capital		960	2,100	–	–	3,060
Expenses of share issues		–	(176)	–	–	(176)
Grant of share options		–	–	4	–	4
Balance at 30 June 2019		960	1,924	4	(56)	2,832
Balance at 1 July 2019		960	1,924	4	(56)	2,832
Loss and total comprehensive expenses for the period		–	–	–	(1,076)	(1,076)
Issue of share capital		3,622	1,109	–	–	4,731
Expenses of share issues		–	(141)	–	–	(141)
Grant of share options		–	–	555	–	555
Balance at 31 March 2020		4,582	2,892	559	(1,132)	6,901

On 31 March 2020 the Company changed its accounting period to 31 March from 30 June.

Company accounting policies are in line with Group – See Group note 2.

The accompanying notes on pages 76 to 80 form an integral part of these financial statements.

Company Statement of Cash Flows
For the period ended 31 March 2020

	Note	**Period from 1 July 2019 to 31 March 2020 £'000**	Period from 22 June 2018 to 30 June 2019 £'000
Cash flows from operating activities			
Loss before taxation		**(1,076)**	(56)
Adjustments for non-cash/non-operating items:			
Share option charge		555	4
Finance income		–	(8)
		555	(4)
Changes in working capital:			
(Increase) in trade and other receivables		(1,570)	(5)
Increase in trade and other payables		494	13
Cash used in operations		**(1,597)**	(52)
Taxation		–	–
Net cash used in operating activities		**(1,597)**	(52)
Cash flows from investing activities			
Interest received		–	8
Net cash from investing activities		–	8
Cash flows from financing activities			
Proceeds from issues of shares		1,500	3,060
Expenses of share issues		(141)	(176)
Net cash from financing activities		**1,359**	2,884
Net (decrease)/increase in cash and cash equivalents		(238)	2,840
Cash and cash equivalents at beginning of the period		2,840	–
Cash and cash equivalents at end of the period		**2,602**	2,840

On 31 March 2020 the Company changed its accounting period to 31 March from 30 June.

Company accounting policies are in line with Group – See Group note 2.

The accompanying notes on pages 76 to 80 form an integral part of these financial statements.

Notes to the Company Financial Statements
For the year ended 31 March 2020

1. Segmental reporting
The principal activity of the Company is that of a holding company for the Group, as well as performing all administrative, corporate finance, strategic and governance functions of the Group. The Directors consider this to consummate one reportable segment.

2. Investment in subsidiaries
On 31 March 2020, the Company acquired the entire share capital of OTAQ Group Limited and its subsidiaries, OTAQ Aquaculture Limited, OTAQ Offshore Limited, OTAQ Connectors Limited and OTAQ Chile SpA through a reverse takeover (see consolidated financial statements note 13).

Details of the Company's subsidiaries as at 31 March 2020 are set out in note 14 to the consolidated financial statements.

	31 March 2020 £'000	30 June 2019 £'000
Cost		
Brought forward	**–**	–
Additions	**3,231**	–
Carried forward	**3,231**	–
Provision for impairment		
Brought forward	**–**	–
Impairment for the period	**–**	–
Carried forward	**–**	–
Net book value	**3,231**	–

3. Trade and other receivables

	31 March 2020 £'000	30 June 2019 £'000
Amounts falling due within one year:		
Amounts due from subsidiaries	**1,500**	–
Prepayments	**12**	5
Other	**63**	–
	1,575	5

Amounts due from subsidiaries are trading balances, are not interest bearing and are repayable on demand.

Fair values of receivables
Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value determined using level 3 inputs.

4. Cash and cash equivalents

	31 March 2020 £'000	30 June 2019 £'000
Cash at bank and in hand	**2,602**	2,840
	2,602	2,840

Cash at bank earns interest at floating rates based on daily bank deposit rates.

5. Share capital
The share capital account records the nominal value of shares issued.

Details of the Company's authorised, called-up and fully paid share capital are set out in note 19 to the consolidated financial statements. The ordinary shares of the Company carry one vote per share and an equal right to any dividends declared.

6. Reserves

The share premium account represents the amount received on the issue of ordinary shares by the Company in excess of their nominal value and is non-distributable. In relation to the Company's reverse acquisition of OTAQ Group Limited, as the Company secured more than a 90% equity holding in OTAQ Group Limited on terms that the consideration for the shares allotted was provided by the transfer to the Company of equity shares in the OTAQ Group Limited, section 610 of the Companies Act 2006 does not apply to the premium on those shares. Accordingly, the share issue has been accounted for at par value with no share premium.

The share option reserve arises from the requirement to value share options in existence at the year end at fair value. Further details of share options are included at note 25.

Revenue reserve represents accumulated losses.

7. Trade and other payables

	31 March 2020 £'000	30 June 2019 £'000
Amounts falling due within one year:		
Trade payables	**59**	1
Amounts due to subsidiaries	**417**	–
Accrued expenses	**31**	12
	507	13

Trade and other payables comprise amounts outstanding for on-going costs. All trade and other payables are due in less than 1 year. All balances are denominated in Sterling. Trade payables and accruals principally comprise amounts outstanding for ongoing costs.

Amounts due to subsidiaries are trading balances, are not interest bearing and are repayable on demand.

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

8. Share options

The Company previously had in place the Hertsford Capital plc share option scheme which was adopted on 22 June 2018. However, all options granted under the scheme have either been waived or lapsed, as set out below. The Company established a new share option scheme, details of which are disclosed in note 25 to the consolidated financial statements. The Hertsford Capital plc share option scheme, which has now lapsed, is summarised below:

	Grant date	Number of options	Expiry date	Exercise price £	Fair value at grant date £
Option holder					
H Hyman	29/11/2018	400,000	29/11/2021	0.10	0.10
R Sargent	29/11/2018	400,000	29/11/2021	0.10	0.10
S Gill	29/11/2018	400,000	29/11/2021	0.10	0.10
A Hambro	29/11/2018	400,000	29/11/2021	0.10	0.10
Lapsed during the period		(1,600,000)		0.10	0.10
Balance at end of the period		–			

The estimated fair value in respect of the Hertsford Capital plc share option scheme was calculated by applying a Black-Scholes option pricing model. The inputs to the model were as follows:

Grant date share price	10p
Exercise share price	10p
No. of share options	1,600,000
Risk free rate	1%
Expected volatility	40%
Expected option life	3 years
Calculated fair value per share	£0.01385

The total share-based payment expense recognised in the statement of comprehensive income for the period ended 30 June 2019 arising from the Hertsford Capital plc share option scheme was £4,000.

8. Share options continued

Prior to admission on the Main Market of London Stock Exchange, 438,312 share options equating to 1.43 per cent of the share capital of the Company were granted to Jag Mundi (a director and Chairman of OTAQ Group Limited up to admission), and 1,043,600 share options equating to 3.42 per cent of the share capital were granted to Philip Newby (a director) under the Share Option Scheme, subject to certain performance criteria.

In addition, 320,000 share warrants equating to 1.05 per cent of the share capital were granted to various key management personnel on admission.

An option-holder has no voting or dividend rights in the Company before the exercise of a share option.

The estimated average fair value of each share options and warrants granted in the Share Option Scheme was £0.31. This estimated fair value was calculated by applying a Monte-Carlo option pricing model. Looking In the absence of a liquid market for the share capital of the group the expected volatility of its share price is difficult to calculate. Therefore, the directors have considered the expected volatility used by listed entities in similar operating environments to calculate the expected volatility.

The total reserve and share-based payment expense recognised in the statement of comprehensive income for the year ended 31 March 2020 in respect of these options granted was £559,000.

229,592 share options granted to Philip Newby have a vesting condition requiring the share price to be £0.728 on or before 31 March 2021.
A further 229,592 share options granted to Philip Newby have a vesting condition requiring the share price to be £1.093 on or before 31 March 2022.

9. Related party transactions

The only key management personnel of the Company are the directors. Details of their remuneration are contained in note 6 to the consolidated financial statements. The following transactions with subsidiaries occurred in the period:

	31 March 2020 £'000	30 June 2019 £'000
Amounts owed to the Company by its subsidiary:		
OTAQ Group Limited	**1,500**	–
	1,500	–

	31 March 2020 £'000	30 June 2019 £'000
Amounts owed by the Company to its subsidiary:		
OTAQ Group Limited	**417**	–
	417	–

In relation to the reverse takeover (see note 2 to the consolidated financial statements), OTAQ Group Limited received the proceeds from issuance of new shares on behalf of the Company amounting to £1,500,000 (2019: £nil). OTAQ Group Limited paid costs of acquisition on behalf of the Company amounting to £417,000 (2019: nil).

10. Commitments and contingences

Capital commitments

There were no capital commitments at 31 March 2020 and 30 June 2019.

Contingencies

There were no contingent liabilities at 31 March 2020 and 30 June 2019.

11. Capital risk management

The company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to stakeholders. It is the current strategy of the Company to finance its activities from existing equity and reserves and by the issue of new equity as required.

The capital structure of the Company consists issued capital, share premium, reserves and retained earnings, all as disclosed in the statement of changes in equity. The Company is not subject to externally imposed capital requirements.

12. Financial instruments – classification and measurement

Financial assets

Financial assets measured at amortised cost comprise intercompany receivables and cash, as follows:

	31 March 2020 £'000	30 June 2019 £'000
Amounts due from subsidiaries	**1,500**	–
Cash at bank and in hand	**2,602**	2,840
	4,102	2,840

Financial liabilities

Financial liabilities measured at amortised cost comprise trade and other creditors and intercompany payables as follows:

	31 March 2020 £'000	30 June 2019 £'000
Trade payables	**59**	1
Amounts due to subsidiaries	**417**	–
	476	1

13. Financial risk management

The Company's activities expose it to a variety of financial risks: interest rate risk, liquidity risk, market risk, currency risk and credit risk. Risk management is carried out by the board of directors. The Company uses financial instruments to provide flexibility regarding its working capital requirements and to enable it to manage specific financial risks to which it is exposed.

The Company finances its operations through a mixture of equity finance, cash and liquid resources.

(a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest bearing assets including cash and cash equivalents are considered to be short-term liquid assets. It is the Company's policy to settle trade payables within the credit terms allowed and the Company does therefore not incur interest on overdue balances.

No sensitivity analysis has been prepared as the impact on these financial statements would not be significant.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. Liquidity risk arises from the repayment demands of the Company's lenders.

The Company manages all of its external bank relations centrally. Any material change to the Company's principal banking facility requires approval by the board. The cash requirements of the Company are forecasted by the board annually. The Company is not dependent on any external borrowings.

At the reporting date the Company was cash positive.

The following tables set out the maturity profile of the Company's non-derivative financial liabilities, based on undiscounted contractual cash outflows, as at the following dates:

	31 March 2020 £'000	30 June 2019 £'000
Trade and other payables		
Less than 2 months	**476**	1
Total	**476**	1

13. Financial risk management continued

(c) Credit risk management

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company and the risk that any debtors of the Company may default on amounts due to the Company. The Company has no trade receivables and its exposure to credit risk is limited only to intercompany debtors and cash equivalents.

The maximum exposure to credit risk in relation to cash and cash equivalents is the carrying value at the statement of financial position date.

(d) Currency risk

The Company exposure to any currency risk at present is minimal.

(e) Offsetting financial assets and financial liabilities

The Company has not presented any of its financial assets and financial liabilities on a net basis and no master netting arrangements are in place.

14. Subsequent events

On 11 March 2020 the World Health Organisation declared a pandemic in relation to the coronavirus outbreak, and on the 23 March 2020 the UK Government imposed strict 'lock down' controls meaning that only essential businesses should continue to operate as normal. Several months into the new financial year, the impact of the Covid-19 pandemic is apparent. The Group started the year with the visibility provided by a long-term contract rental model for aquaculture and a good order book in our other businesses. Travel and business development activities have been restricted as the Group chases growth in this market and as a result some territories are not progressing as quickly as would otherwise have been the case. However, new orders are being placed and new contracts finalised. Although this currently puts the company in a strong position from a trading perspective, it is nevertheless difficult to quantify what overall effects the situation will have.

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