Company Registration No. 11429299

OTAQ PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022

OTAQ PLC

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Company registration number	**11429299**
Directors	Mr A Reynolds Mrs S E Stoten Mr P D Newby Mr W G Watt Mr M J Enright Mr G T Clifford Dr HV Rotsch
Secretary	Mr M J Enright
Registered office	8-3-4 Harpers Mill, South Road White Cross Lancaster England LA1 4XF
Auditor	Azets Audit Services Fleet House New Road Lancaster LA1 1EZ
Corporate advisor 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
Website	www.otaq.com

The directors' present their strategic report for the Group for the nine-month period ended 31 December 2022. Comparatives are for the twelve month period to 31 March 2022.

FINANCIAL HIGHLIGHTS FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022

Group	**2022**	**2021/22**
	£'000	**£'000**
Revenue	2,561	4,292
Gross profit	794	2,027
Adjusted EBITDA*	(258)	(49)
Net (debt) / cash**	758	(1,268)

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

	2022	**2021/22**
	£'000	**£'000**
Operating loss	(2,310)	(2,114)
Share option charge	-	20
Exceptional costs	1,230	257
Amortisation of intangible assets	326	572
Impairment of rental units	62	311
Right-of-use depreciation	130	164
Depreciation on property, plant and equipment	304	741
Adjusted EBITDA	**(258)**	**(49)**

Statutory basic losses per share were 5.0p (2021/22: loss 5.9p) and statutory diluted losses per share totalled 5.0p (2021/22: loss 5.9p)

Adjusted EBITDA is an alternative performance measure used internally to monitor the Group's performance. Exceptional costs in the year relate to legal fees of £233,000 in relation to the November 2022 share issue, delisting from the London Stock Exchange and admittance to the Aquis Stock Exchange. There is £121,000 charge for recoverability of a loan to the Employee Benefit Trust based on the fall in OTAQ plc's share price and a further charge of £876,000 related to the impairment of assets and stock in relation to the Aquaculture division.

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

	2022	**2021/22**
	£'000	**£'000**
Cash and cash equivalents	2,337	1,008
Non-current lease liabilities	(181)	(255)
Current lease liabilities	(172)	(161)
Non-current financial liabilities	(1,054)	(1,392)
Current financial liabilities	(447)	(421)
Current deferred payment for acquisition	-	(213)
Income tax asset	275	166
Net cash / (debt)	**758**	**(1,268)**

This is an alternative performance measure and used internally to monitor the Group's liquidity. The directors consider the income tax credit to be part of net debt as the asset will be converted into cash and is not part of its normal working capital requirements as other assets are.

Strategic and Operational Highlights

- £2.3m of cash following the successful equity fund raising in November 2022
- New sales resource recruited in Aquaculture and Offshore divisions
- Commercialisation and near-commercialisation of key projects in Aquaculture and Geotracking poised to deliver growth in 2023

CHAIRMAN'S STATEMENT FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022

I'm pleased to present my first Chairman's Statement for the nine-month period ended 31 December 2022.

The Group has spent the past nine-months working hard to develop and expand its product portfolio in each of its core markets, being Offshore, Aquaculture and Geotracking. Initial sales of some of these new products have been made in this or the prior financial period and the Group is now working hard to develop new markets and commercial opportunities for these products. Where development of key strategic products is not yet complete, efforts are being made in the new year to complete this development where credible market conditions prevail.

I am hopeful that 2023 will yield the benefit of our expanded product portfolio and I will be able to present improved revenue and profit performance for the year to 31 December 2023.

Strategy
The strategy of the business is to use the Group's customer base in the Offshore and Aquaculture industries to allow it to sell our new products developed by the Group's product development team. Over time, the Group intends to have a full suite of complementary and sophisticated products for use in the Aquaculture industry, be that salmon or shrimp, as well as target niche markets in the Offshore sector where the Group can continue to enjoy the success historically seen. The Geotracking division will also make use of the products developed for this division to target specific sectors that the Group believe will benefit significantly from this technology.

Offshore
The Offshore division, comprised of the previously separately reported Connectors and Offshore divisions, has continued to perform well and is expected to continue do so in 2023. The Group now sees additional opportunities for this division in new territories such as North America and other global markets. Sales and marketing resource is being invested to help develop the potential in this division and accelerate revenue growth.

Aquaculture
The Group has developed exciting new products for use in the Aquaculture industry. As revenue from the company's historically core product, Sealfence, has reduced, product development has been pursued in collaboration with key strategic partners to permit entry into the shrimp market, water quality monitoring sectors and plankton analysis. Whilst not all of these products are yet fully commercialised, the Group continues to believe in these technologies and the huge market potential that is possible.

Geotracking
The Geotracking technology developed since 2020 has enjoyed some commercial success. In the year to 31 March 2022, the Group benefited from a large contract award. Variants of the Geotracking device remain in development consisting of tracking devices for use in the railway industry and other similar sectors. Trials with partners in the railway industry are ongoing with orders placed and deliveries made. The potential for significant orders within this division in 2023 exists and the Group is working hard to achieve this.

Our Team
Despite the challenges the Group has faced over the past year, I have been impressed since I joined with the passion and enthusiasm that exists within the business. I am delighted to welcome Giles Clifford to the Board and thank Malcolm Pye for his contribution now he has left. I am confident the team will work diligently to deliver the performance that the Board expects over the next twelve months.

Adam Reynolds
Non-Executive Chairman
18 May 2023

CHIEF EXECUTIVE'S REPORT FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022

Review of the period
Despite the declining Revenue and increasing losses in the period, the Group has taken steps to reposition itself during the year to ensure the business can return to growth and profitability without relying on its historically core product in the Aquaculture division. The Offshore division has performed well in the nine-month period with the Geotracking division not achieving Revenue of significance but continuing to develop new markets and products.

Development of the phytoplankton analysis product is continuing with commercial launch being worked towards in 2023. Trial sites with potential customers have been deployed and this has been fruitful in enabling us to learn about this strategically important market as well as allow Blue Lion Labs Ltd, in which we own 10% of equity, to develop the software required as part of the product.

Development of the shrimp sonar product in collaboration with Minnowtech LLC, our 15% investment since February 2021, has continued during the period. No sales of significance were made but Minnowtech are continuing to finalise their end product and they have now, post year-end, placed a one hundred unit quantity order.

The Group achieved Revenue of £2.56m in the nine-month period (2021/22: £4.29m) delivered by £1.62m in the Offshore division (2021/22: £2.09m), £0.06m (2021/22: £0.76m) in the Geotracking division and revenue of £0.88m (2021/22: £1.45m) in the Aquaculture division. The Geotracking division in 2021/22 benefitted from the fulfilment of a significant sports tracking contract as well as sonar sales to Minnowtech. Sonar sales in future will be recorded as Aquaculture sales.

Sales to non-UK territories have increased from 46% of total revenue in 2021/22 to 50% in 2022 as the Offshore division continues to expand and become a more significant part of the Group.

Revenue
Group revenue for the nine-month period ended 31 December 2022 was £2.56 million from £4.29 million in the twelve months to 31 March 2022. This revenue change is all organic.

With the changing mix of sales from Aquaculture to Offshore, the Group sales mix is changing with UK revenue now representing only 50% of total revenue (2021/22: 54%). Chile represents 5% (2021/22: 8%) of total revenue with other European countries accounting for 14% (2021/22: 13%) of total revenue and the rest of the world for 31% (2021/22: 25%) of total revenue.

Profit
The statutory loss for the year of £2.30m (2021/22: £1.90m) was impacted by the period being nine-months with Revenue being £1.73m lower than the twelve-month prior period and Gross profit being £1.23m lower accordingly. Gross profit of 31% (2021/22: 47%) was impacted by the high fixed costs in Cost of sales. Administrative expenses changed to £3.10m (2021: £4.14) in line with the nine-month period.

The £3.10m of administrative expenses was impacted by the large exceptional charges and certain one-offs including a £0.06m (2021/22: £0.31ml) impairment charge for the write-down of Sealfence units returned from customers and a £0.33m (2021/22: £0.57m) intangibles amortisation charge which included an additional £0.15m impairment charge relating to development costs not commercially viable.

The Group's exceptional charges in the year totalled £1.23m (2021/22: £0.26m). These included costs regarding the end of the Scottish Acoustic Deterrent Device market and costs that were associated with legal fees for the new shares issued and listing on the Aquis Stock Exchange in November 2022.

Dividends
The Board is not recommending a final dividend (2021/22: £nil).

CHIEF EXECUTIVE'S REPORT FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022 (CONTINUED)

Trading environment
The North Sea and wider oil market in which the Offshore division operates, and which impacts on demand for the Offshore division, has remained buoyant during the period. Demand in this division is expected to continue to be favourable in 2023 and will be supported by additional sales resources and dedicated product development support. The market for ADDs in Scotland is no longer an area of focus although Scotland remains a key market for the Group's new live plankton analysis system (LPAS) and water quality monitoring product. The Chilean market has been subdued in the year but progress is being made with the Chilean authorities around the approval required to use ADDs and it is hoped when this is concluded it will enable the Chilean market to grow.

Innovation
The Group has continued to invest in the development of new products and improvement to existing products. Investment in research and development, capitalised as development costs, amounted to £0.36 million in the period to 31 December 2022 (2021/22: £0.59 million), equivalent to 14% of Group revenue (2021/22: 14%). The aim of the Group's research and development team is to deliver key projects such as LPAS, water quality monitoring and Geotracking devices.

Current trading and prospects
There is cautious optimism that in the coming financial year the Group can return to profitable growth due to the performance of the Offshore division and the expected launch of the Group's strategic new products such as LPAS. However, management and the Board will continue to exercise firm controls on costs and cash whilst the Group returns to profitability.

Phil Newby
Chief Executive
18 May 2023

CHIEF FINANCIAL OFFICER'S REPORT FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022

The strategy of the Group is to build a business of significance within the aquaculture and offshore industries with the key financing requirements being to ensure there is sufficient resource to fund new product development and working capital as the Group returns to growth.

The Group's Key Performance Indicators are aligned to revenue, profits and ensuring sufficient cash flow to deliver future growth. These three measures were below targets in the period to 31 December 2022 due to the withdrawal of Sealfence units from the Scottish market. However, cash flow has been supplemented by the issue of shares in November 2022 which aided cash balances by an amount net of all relevant costs of £3.22m. In addition, the Group carefully monitors loss time incidents and employee absenteeism and turnover. Loss time incidents were zero (2021/22: zero) for the year and employee absenteeism was in line with historic levels although employee turnover increased.

Revenue
Group revenue changed to £2.56m from £4.29 million with pro-rata growth in the Offshore division against decline in Aquaculture and Geotracking.

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

	2022 9 months £'000	2021/22 12 months £'000
Operating loss	(2,310)	(2,114)
Share option charge	-	20
Exceptional costs	1,230	257
Amortisation of intangible assets	326	572
Impairment of rental units	62	311
Right-of-use depreciation	130	164
Depreciation on property, plant and equipment	304	741
Adjusted EBITDA*	**(258)**	**(49)**

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

Adjusted EBITDA declined to a loss of £0.26m from £0.05 million in 2021/22 with the corresponding EBITDA operating margin declining from 1% EBITDA operating loss in the prior year to a 10% EBITDA operating loss. This decline was driven by the decrease in Gross profit in the period to £0.79m from £2.03m in the prior year. The EBITDA decline also resulted from a decline in the gross profit percentage from 47.2% to 31.0% due to the changing revenue mix away from Sealfence rentals.

Operating losses increased to £2.31m from £2.11m with the total comprehensive expense for the year increasing to £2.30million (2021/22: £1.91 million). The statutory loss before tax increased to £2.51 million compared to £2.16 million in 2021/22.

Adjusted EBITDA
Adjusting items relate to expenditure which does not relate directly to the core activities of the Group and is considered to be one-off in nature or in relation to investing, restructuring or financing activities. The total pre-tax adjusting items recorded in the nine-month period to 31 December 2022 were £1.23m. These relate to £0.23m of fees relating to the November 2022 issue of equity, £0.12m relating to the write-off of amounts loaned to the employee benefit trust due to the decline in the company's share price, £0.34m of costs in association with Sealfence inventory purchased in the period immediately written down, £0.49m write-down of Aquaculture inventory associated with the Scottish Sealfence rental market and £0.05m of sundry costs considered to be one-off.

In addition to this, there were depreciation charges of £0.30 million (2021/22: £0.74m), intangible amortisation charges of £0.33m (2021/22: £0.57m) and right-of-use depreciation charges of £0.13m (2021/22: £0.16m). There was also an impairment charge of £0.06m (2021/22: £0.31m) relating to Sealfence units returned from customers following the end of rental agreements.

Other operating income
The grant income received in 2021/22 of £0.13m related to the HMRC CBILs scheme.
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CHIEF FINANCIAL OFFICER'S REPORT FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022 (CONTINUED)

Finance costs
Net finance costs totalled £0.20m (2021/22: £0.17m) and related to the interest charge relating to deferred acquisition payments made in the year associated with the terms of the acquisition of Marine Sense Limited in 2018, Right of use asset interest charges and predominantly interest costs relating to the CBILs loan.

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, along with a decrease in deferred tax of £0.08m, accounts for the £0.22m (2021/22: £0.25m) tax credit in the year.

Earnings and losses per share
Statutory basic losses per share were 5.0p (2021/22: loss 5.9p) and statutory diluted losses per share totalled 5.0p (2021/22: loss 5.9p). These are calculated using the weighted average number of shares in existence during the year.

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 not a key performance or key results measure given the Group's high revenue growth and current statutory loss-making position.

Dividends
No dividends have been paid in the year (2021/22: £nil) and no dividend is recommended. It is expected that all cash resources will be retained by the Group.

Headcount
The Group's number of employees for 2022 stood at 43 (2021/22: 45). The change in staff numbers during the year was due to efficiency measures undertaken.

Share capital and share options
The Group's issued share capital at 31 December 2022 totalled 127,824,881 Ordinary shares (2021/1: 37,716,250). During the year, no share options were exercised with 108,631 (2021/22: 95,854) shares issued as part of the employee Share Incentive Plan. 90,000,000 new shares were issued at a price of 4p as part of a funding round held in November 2022. 6,272,729 new shares were issued at a price of 22p as part of a funding round held in January 2022.

No share options were issued in the year (2021/22: 800,000) with 23,930,878 (2021/22: 2,130,900) share options and warrants in issue at 31 December 2022. 700,000 (2021/22: 229,592) share options lapsed in the year due to performance criteria not being met. Warrants totalling 22,499,978 were issued in November 2022 with 22,819,978, included in the above figures, outstanding on 31 December 2022 (2021/22: 320,000).

Cashflow and net debt
This year's cash generated from operations totalled an outflow of £0.88 million (2021/22: £1.77 million). Total capital expenditure amounted to £0.61 million (2021/22: £1.23 million). Year-end cash balances totalled £2.34 million compared to £1.01 million in 2021/22. The Group finished 2022 with net cash of £0.76 million compared to £1.27 million of net debt at the end of 2021/22 as reconciled below:

	2022	**2021/22**
	£'000	**£'000**
Cash and cash equivalents	2,337	1,008
Non-current lease liabilities	(181)	(255)
Current lease liabilities	(172)	(161)
Non-current financial liabilities	(1,054)	(1,392)
Current financial liabilities	(447)	(421)
Current deferred payment for acquisition	-	(213)
Income tax asset	275	166
Net cash / (debt)	**758**	**(1,268)**

The directors consider the income tax credit to be part of net debt as the asset will be converted into cash and is not part of normal working capital requirements as with other current assets.

CHIEF FINANCIAL OFFICER'S REPORT FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022 (CONTINUED)

Assets and liabilities
Total current assets at 31 December 2022 were £4.24m compared to total current assets of £4.11m at 31 March 2022. The key change during the year relates to the increase in cash balances following the November 2022 fund raising to £2.34m from £1.01m and the decrease in trade and other receivables to £0.69m (2021/22: £1.77m) due to the timing of prior year revenue being weighted towards the last quarter of 2021/22. Inventories have decreased to £0.94m from £1.18m with trade and other payables decreasing to £0.50m from £1.24m with deferred income reducing by £0.43m.

Total liabilities have decreased from £3.77m at 31 March 2022 to £2.36m at 31 December 2022 with this decrease driven by the repayments due under the CBILs loan, reducing deferred income balances and a reduction in deferred payments for acquisition. Right-of-use lease liabilities at the end of the period amount to a total liability of £0.35m (2021/22: £0.42m).

Despite the difficulties of the period, the Group's financial position is improved over previous years due to the November 2022 fund raising. Nonetheless, the Group remains focussed on tight cost control and cash management whilst revenue and EBITDA growth is delivered to enable the Group to become cash flow positive.

Summary
The Group begins the new financial year with a strong balance sheet, but where management and the Board will continue to exercise firm controls on costs and cash. The Group's Offshore division is trading well and there is optimism that this division and new product launches can return the Group to an EBITDA-positive position and improve the Group's cash performance.

Matt Enright
Chief Financial Officer
18 May 2023

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 customer or investment and thereafter. Further detail is explained in the ESG statement on page 10.

Shareholders
The primary mechanism for engaging with shareholders is 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. The OTAQ website also has a dedicated investor microsite to engage with investors. The Company aims to release market relevant news as the Group's activities permit. Further information is disclosed in the Corporate Governance statement on pages 15 to 18.

Customers
The Group operates 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. The Group undertakes regular quality reviews and is proud of its ISO9001 certification which evidences our strong commitment to customer satisfaction through our internal processes from both a manufacturing and customer engagement perspective.

Suppliers
We have stable and long-standing close relationships with our key suppliers. As the Group evolves, we are forming new key partnerships with suppliers who we look to help grow as the Group enters into new sectors and territories. We look to make use of supply agreements where possible and treat our suppliers with integrity and all professional courtesies.

Employees
A key to the Group's performance has been its engaged workforce. The Group's Directors, alongside our 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 10, we are also proud that 58% of our staff at year-end are shareholders with 18 employees partaking in the Share Incentive Plan scheme that was constituted in October 2020.

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 10.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Our culture
OTAQ's culture is one of commitment, openness and integrity working together as a small team of 43 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. 58% of our team are OTAQ shareholders.

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 although we work to minimise our impact on the environment. As primarily a technology company, our group is not a capital-intensive manufacturer and all of our business units look to minimise the impact in conjunction with our customers on the environments where our products are deployed.

In our remaining aquaculture markets we liaise with regulators in order to ensure the impact of acoustic deterrent devices on the surrounding cetaceans and other marine fauna is non-invasive and not detrimental to their wellbeing.

Health and safety
Health and safety is of paramount importance to OTAQ and a key priority for our 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 divisions 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 December 2022, the Group has gone 2,834 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 FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022

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 and gas industries.

The Chairman's Statement on page 3 and the CEO's Report on page 4 detail activities and development of the business over the year.

Business Model
The primary strategy of the Group is the creation of a business of significance within the global aquaculture, offshore and geotracking industries. The Group continues to develop a range of sophisticated products designed to overcome many production and environmental challenges.

Financial and Business Highlights
OTAQ plc achieved growth in three of its four divisions with aquaculture declining. Financial and business highlights are detailed in the introduction to this report at page 2.

Key Performance Indicators
2022 Vs 2021/22

Financial

Group	2022	2021/22
	£'000	£'000
Revenue	2,561	4,292
Gross profit	794	2,027
Adjusted EBITDA*	(258)	(49)
Net cash / (debt)*	758	(1,268)

*Reconciliations from the alternative performance measures to statutory measures are provided on page 2.

These key performance indicators are discussed in greater detail in the Chief Financial Officer's report on page 6.

Personnel
The average number of employees decreased to 43 in December 2022 from 45 in March 2022.

Gender Diversity
At 31 December 2022 employee gender diversity was:

	Male	Female
Directors	2	0
Senior Managers	3	2
Employees	31	5

Quality Management
The Group achieved ISO 9001:2015 status on 25th November 2019 and this was reconfirmed on 24th November 2022 for the period to 25 November 2025. The Group's Quality Management System covers the manufacture of products for all the industries in which it operates.

COMPANY OVERVIEW AND RISKS FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022 (CONTINUED)

Key Risks and Uncertainties

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 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. As a majority of the Group's revenue is now in part linked to the price of oil, a reduction in the price of oil could reduce revenue in its Offshore division.

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-term 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.

Regulation
The Group operates in regulated aquaculture markets where the use of products such as the Group's Sealfence product may require permission to be used. The Group continues to work with relevant local authorities to ensure the Group's products comply with all requirements.

New customers and business
The Group's long-term value is reliant on the acquisition of new customers and new business. The Group faces uncertainty in terms of the timing of the delivery of new customers and business. The Group continues to work hard to develop products with commercial value and develop existing and new customer relationships.

COMPANY OVERVIEW AND RISKS FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022 (CONTINUED)

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 and the Chief Executive's report.

Charitable Donations and Community Support
No charitable or political donations were made in the year (2022: £nil) with £549 support provided to the family of an employee who sadly died.

The Strategic Report on pages 2 to 13 has been approved on behalf of the Board by:

Phil Newby
Director
18 May 2023

BOARD OF DIRECTORS

Adam Reynolds I Nom

Chairman

Adam is a veteran of the small cap market and a champion of growth companies. He brings with him a wealth of knowledge and experience across various sectors and helps companies realise their potential. He began his career in the City in 1980 with stockbrokers Rowe Rudd, following which he joined public relations business Basham & Coyle heading their Investor Relations Division. Thereafter he established his own PR/IR and Corporate Finance firm, which he subsequently floated on AIM in 2000 before selling the company in 2004. More recently, Adam has been a major investor in and Non-Executive Chairman or Non-Executive Director of a number of small cap growth companies.

Phil Newby E

Chief Executive

Phil joined the OTAQ Group in June 2014 as commercial director and was appointed chief executive in March 2016. From 1993 to 1995, Phil was general manager of Unique Systems LLC, an offshore equipment rental business operating in the Middle East and India. From 1996 to 2011 Phil was MD 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. Phil has now operated at CEO plc level for several years and has the pre-requisite skills.

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. Matt has now operated at CFO plc level for several years and has the pre-requisite skills.

Harald Rotsch E

Chief Technology Officer

With a PhD in Physics, Harald has over 20 years' engineering experience in the marine environment with responsibility for leading on design, installation and commissioning on over 30 offshore and marine related projects. Prior to joining the Group as Technical Director of OTAQ Offshore Limited (previously named MarineSense Limited) in 2019, he founded MarineSense in 2007 where he was Managing Director until the company was bought by the Company in 2018. Harald has recently commenced his role at CTO plc level but his significant previous experience means he has the pre-requisite skills for the CTO role.

George Watt N I A 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 Stoten N A R Nom

Sarah is a graduate in Marine Biology and Oceanography from the National Oceanography Centre at the University of Southampton. She works for AIM-quoted Franchise Brands plc, initially in Corporate Development and more recently in post-acquisition integration where she successfully introduced new key services and processes across the franchise network. Her current role is restructuring and growing a newly acquired franchise network whilst integrating it into the Group.

Giles Clifford N R

Since 2015, Giles has been Director of Business Development for Brendon Street Investments Limited and, on behalf of the Wray Family Office, leads on various key projects and investment company holdings, providing review, insight and strategic commercial financial support. Previously, Giles was Finance Director of Warner Bros Studios Leavesden, and before that Head of Finance before moving to Head of Business Improvement at Wembley National Stadium Limited, where he was a key team member during the new stadium financing and build phase, and then running the new stadium for its first 8 years.

Committee membership

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

CORPORATE GOVERNANCE STATEMENT FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022

Introduction
I have pleasure in introducing the Corporate Governance Statement. In accordance with the requirements of being listed on the growth section of the Aquis 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", www.theqca.com/corporate-governance). This report sets out our approach to OTAQ's governance. Principle one of the QCA code is covered in page 2. Principle three of the QCA code is covered in page 10. Principle four of the QCA code is covered in page 16.

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 period, the Board comprised the Non-Executive Chairman, four further Non-Executive Directors and three Executive Directors.

During the period, the Group has had two independent Non-Executive Directors. 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 a minimum of 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.

The table below sets out the attendance at meetings by Directors during the year.

	Board	Audit	Remuneration	Nomination
AR Hambro	7/7	-	-	1/1
A Reynolds	1/1	-	-	-
GT Clifford	1/1	-	-	-
SE Stoten	8/8	2/2	1/1	-
WG Watt	8/8	2/2	-	-
PD Newby	8/8	-	-	1/1
MJ Enright	8/8	2/2	-	-
MDF Pye	8/8	-	1/1	-
HV Rotsch	1/1	-	-	-

CORPORATE GOVERNANCE STATEMENT FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022 (CONTINUED)

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 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 one or two of the non-executive directors of the Company.

Audit Committee
The Audit Committee is chaired by George Watt, Non-Executive Director, and the other member is Sarah Stoten, 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 19 to 20 contains more detailed information on the Committee's role.

Remuneration Committee
The Remuneration Committee is chaired by Sarah Stoten, Non-Executive Director. The other member of this Committee is Giles Clifford, Non-Executive Director. 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 21 to 23 contains more detailed information on the Committee's role and the Directors' remuneration and fees.

Nomination Committee
The Nomination Committee is chaired by Adam Reynolds. Alex Hambro resigned from the committee on 21 November 2022. The Nominations Committee met once in the year and is responsible for nominating directors to the board of OTAQ plc.

Board effectiveness
Biographies of the Board on page 14 sets out the skills, knowledge and experience of the Board. This mix of capabilities enables them to constructively challenge strategy and review performance. Board effectiveness is subject to review and detailed in the performance evaluation section of this report.

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.

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.

CORPORATE GOVERNANCE STATEMENT FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022 (CONTINUED)

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 has obtained Directors' and Officers' liability insurance 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.

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;
- formal reporting lines and management information reporting between divisions and senior management;
- 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 Thursday 15th June 2023 (full details in the Directors' Report on page 24). 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.

CORPORATE GOVERNANCE STATEMENT FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022 (CONTINUED)

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.

Promoting a culture that is based on ethical values and behaviours
The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Group as a whole and that this will impact the performance of the Group. The Board is aware that the tone and culture set by the Board will greatly impact all aspects of the Group as a whole and the way that employees behave. The Group's human resources include and foster the promotion of policies on equality, inclusion and diversity. The corporate governance arrangements that the Board has adopted are designed to ensure that the Group delivers long term value to its shareholders, and the shareholders have the opportunity to express their views and expectations for the Group in a manner that encourages open dialogue with the Board.

A large part of the Group's activities is centred upon an open and respectful dialogue with employees, customers and other key stakeholders. The importance of sound ethical values and behaviours is crucial to the ability of the Group to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that is embedded within the operations and working life of OTAQ.

Adam Reynolds
Non-Executive Chairman
18 May 2023

AUDIT COMMITTEE REPORT FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022

On behalf of the Board, I am pleased to present the Audit Committee report for the period ended 31 December 2022.

Composition of the Committee
The Committee consists of me (as Chairman) and Sarah Stoten. 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 of the year on 15 July 2022 with RSM UK Audit LLP to discuss the 31 March 2022 audit, review their conclusions, and approve in outline the contents of the report and accounts.

The second meeting was held on 22 July 2022 to approve the release of the 31 March 2022 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.

Key activities
The main activities of the Audit Committee in the period have been to:

- review the audit reports produced and ensure all appropriate recommendations have been completed;
- review the internal risk register of the Company;
- review the Annual Report and Accounts and recommend their approval to the Board;
- review the auditor appointment process for 2023 and approve the selection of Azets Audit Services as the new auditor following RSM UK Audit LLP's resignation on 20 December 2022

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 the long-term viability of the Group to ensure there is focus by the board and management on long-term risks;
- 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, Azets Audit Services, 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.

All non-audit work - including tax advisory and accounts preparation - is now undertaken by firms other than RSM UK Audit LLP, prior to 31 December 2022 and now Azets Audit Services following their appointment in 2023. 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.

AUDIT COMMITTEE REPORT FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022 (CONTINUED)

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 15 to 18, 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
18 May 2023

REMUNERATION COMMITTEE REPORT FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022

Committee membership
The Committee consists of me (as Committee Chairman) and Giles Clifford. The Chief Executive and Chief Financial Officer may be invited to attend Committee meetings if required. The Committee intends to meet at least once each year.

Key Committee activities
The Remuneration Committee held one formal meeting during the year, on 30th September 2022, as well as a number of informal meetings. Key activities during the year included:

- determining the performance target for the 31 December 2023 Executive Director annual bonus arrangements
- reviewing and approving the 2022 annual report
- agreeing not to award any options in 2022
- review of developments in corporate governance and best practice
- considering changes to the salaries of Executive directors for the new financial year

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. Harald Rotsch is employed on a part-time basis.

Executive Director	Date of Service Contract
PD Newby	31 March 2020
MJ Enright	31 March 2020
H Rotsch	7 November 2022

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
SE Stoten	31 March 2020
WG Watt	31 March 2020
GT Clifford	9 November 2022
A Reynolds	21 November 2022
Hon AR Hambro	31 March 2020 (resigned 21 November 2022)
MDF Pye	24 February 2021 (resigned 31 March 2023)

Directors' remuneration 31 December 2022

Name	Salary	Benefits	Pension	Bonus	Compensation	Total
Hon. AR Hambro	£15,481	-	-	-	£7,500	£22,981
SE Stoten	£18,750	-	-	-	-	£18,750
WG Watt	£18,750	-	-	-	-	£18,750
MDF Pye	£18,750	-	-	-	-	£18,750
PD Newby	£111,740	£13,723	£6,919	-	-	£132,382
MJ Enright	£90,900	£11,356	£3,397	-	-	£105,653
GT Clifford	£4,346	-	-	-	-	£4,346
Dr HV Rotsch	£13,251	£1,205	£465	-	-	£14,921
A Reynolds	£3,750	-	-	-	-	£3,750

Compensation paid to Hon. AR Hambro relates to payment in lieu of notice following his resignation as stipulated in his letter of appointment.

REMUNERATION COMMITTEE REPORT FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022 (CONTINUED)

Directors' remuneration 31 March 2022

Name	Salary	Benefits	Pension	Bonus	Shares vested	Total
Hon. AR Hambro	£26,250	-	-	-	-	£26,250
SE Stoten	£26,250	-	-	-	-	£26,250
WG Watt	£26,250	-	-	-	-	£26,250
MDF Pye	£26,250	-	-	-	-	£26,250
PD Newby	£149,906	£20,754	£9,169	-	£210,390	£390,219
MJ Enright	£121,463	£16,266	£5,074	-	-	£142,803

Salary
During the period, the salary of our CEO Phil Newby was £153,750, the salary of our CFO Matt Enright was £123,000 and the salary of our CTO Dr Harald Rotsch was £73,800 for a three-day week. On 1st December 2022, the salary of Phil Newby was increased to £157,000, the salary of Matt Enright was increased to £126,250 and the salary of Dr Harald Rotsch was increased to £75,750. Harald Rotsch is eligible for overtime for additional days worked in excess of his normal three day working week. On 1st January 2022 the directors agreed a temporary reduction in their remuneration with the non-executive directors agreeing a reduction of fifty percent for six months and the executive directors agreeing a 10% reduction through pension and salary reductions for a period of six months.

Annual bonus
There were no bonus payments made in the year relating to the nine-month period ended 31 December 2022 due to the bonus criteria not being met (2021/22: £nil).

Options over Ordinary shares in the Company
On 31st December 2022, The Existing Share Options are set out as follows:

Option holder	Exercise Price for each OTAQ plc Share	Number of Shares of OTAQ plc
Philip Newby	59.50p	250,000
Matthew Enright	57.50p	250,000
Matthew Enright	59.50p	100,000
Total		**800,000**

Date of option issue	Number of shares
2020 LTIP Scheme	
Matthew Enright: 16 October 2020 at 57.50p	250,000
Philip Newby: 19 August 2021 at 59.50p	100,000
Matthew Enright: 19 August 2021 at 59.50p	100,000
Total	**800,000**

Awards lapse ten years from the date of grant. The awards granted under the 2020 LTIP Scheme are subject to a performance condition that compound annual growth in adjusted EPS over the period to 31 March 2023, for awards 16 October 2020, and 31 March 2024, for awards 19 August 2021, is a minimum of 10%.

Participation by executive directors in the SIP scheme

	Partnership Shares	Matching shares	Total SIP shares
Phil Newby	22,995	22,995	45,990
Harald Rotsch	13,852	13,852	27,704
Matthew Enright	6,055	6,055	12,110

The Group SIP scheme commenced on 1st October 2020 with all UK employees eligible to partake. One OTAQ plc share is awarded as a Matching share for every Partnership share purchased. Under the SIP scheme, 9,559 Partnership shares were purchased by Phil Newby post year-end and 9,558 Matching shares were awarded to Phil Newby post-year end. Under the SIP scheme, 9,559 Partnership shares were purchased by Harald Rotsch post year-end and 9,558 Matching shares were awarded to Harald Rotsch post-year end.

REMUNERATION COMMITTEE REPORT FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022 (CONTINUED)

Directors' interests
At 31 December 2022, the Directors had the following beneficial interests in the Company's Ordinary shares of 1p each (31 March 2022: 15p each) and options to subscribe for shares:

Ordinary shares of the Company

	31 December 2022			31 March 2022	
	Shares	**Warrants**	**Options**	**Shares**	**Warrants**
Non-Executive Directors					
SE Stoten	993,648	236,250	-	368,648	80,000
WG Watt	604,638	98,432	-	210,909	-
A Reynolds	893,181	162,500	-	-	-
GT Clifford	625,000	156,250	-	-	-
Hon. AR Hambro*	*	*	*	312,273	80,000
	Shares	**Warrants**	**Options**	**Shares**	**Options**
Executive Directors					
PD Newby	1,387,898	125,000	250,000	856,177	250,000
HV Rotsch	2,390,994	62,500	-		
MJ Enright	21,201	-	350,000	21,201	350,000

* Shares and warrants relating to Hon. AR Hambro are not disclosed following his resignation on 21 November 2022.

No dividends were paid to Directors or to any shareholders in the period to 31 December 2022 (2021/22: £nil).

Sarah Stoten

Sarah Stoten
Remuneration Committee Chairman
18 May 2023

DIRECTORS' REPORT FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022

The directors present their annual report and the audited financial statements of the Group for the nine-month period ended 31 December 2022. The Group follows the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies ("QCA guidelines") and is available from the company secretary on request.

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 127,824,881 ordinary shares each with equal voting rights. Euroblue Investments Limited owns 19.3% and Dowgate Capital owns 12.0% of the share capital at 31 December 2022.

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 has obtained Directors' and Officers' liability insurance, as permitted by the Company's articles.

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

Mr A Reynolds (Non-Executive Chairman, appointed 21 November 2022)
Mrs SE Stoten (Non-Executive)
Mr PD Newby
Mr MJ Enright
Mr WG Watt (Non-Executive)
Mr GT Clifford (Non-Executive, appointed 9 November 2022)
Dr HV Rotsch (appointed 9 November 2022)
Hon AR Hambro (Non-Executive Chairman, resigned 21 November 2022)
Mr MDF Pye (Non-Executive, resigned 31 March 2023)

Results and Dividends
The results for the year are set out on page 32.

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

Simplified energy and carbon reporting
In compliance with the "The Companies Act 2006 (Strategic Report and Directors' Report) in particular Part 7A to Schedule 7 "Dealing with energy and carbon disclosures by large unquoted companies". Please find the disclosure of energy and CO2 information for the Group for the nine-month period ending 31 December 2022 which relate entirely to the UK.

The information includes the reporting of greenhouse gas emissions (scope 1, 2 and 3), energy consumption data for fuels, electricity and transport, and also a CO2 intensity ratio. The declaration identifies some of the energy saving measures implemented by the site. The Group generated 78 tonnes (2021/22: 76 tonnes) of CO2 and consumed 98 MWh (2021/22: 146 MWh) of Energy within the 2022 financial period**.**

CO2 emissions for the Group for the nine-month period to 31 December 2022:

Greenhouse Gas Emissions Description	**Scope**	**2022 (CO2 tonnes)**	**2021/22 (CO2 tonnes)**
Direct emissions from the purchase of gas	1	6	14
Indirect emission from the purchase of electricity	2	23	34
Business travel	3	49	28
	TOTAL	78	76

DIRECTORS' REPORT FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022 (CONTINUED)

Simplified energy and carbon reporting (continued)

Energy consumption for the Group for the nine-month period to 31 December 2022:

Utility	2022 (kWh)	2021/22 (kWh)
Electricity	98,033	145,549
Gas	17,838	50,511
TOTAL	115,871	196,060

CO2 Intensity Ratio:

	2022	2021/22
Kg CO2 per employee	1,821	1,755

The above information is entirely related to the UK.

Energy Efficient Measures
The Group continues to review new methods of reducing energy consumption.

Methodology
The methodology for the reporting of SECR was taken from the Department of Business energy and Industrial Strategy (BEIS) with specific instruction from “Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance (March 2019)”. CO2 conversion factors and calorific convertors were generated via “UK Government GHG Conversion Factors form Company Reporting 2019 and 2018)”. All utility information (electrical and natural gas) was generated from utility invoices.

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.

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 period to 31 December 2022 with cash balances of £2.3 million. This arose through the issue of new shares on 7 November 2022. The cash raised was used to fund the working capital and investment required in 2023 to deliver a profitable business.

The Group entered the new financial year with a strong portfolio of new products and a healthy pipeline of products in development. 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.

DIRECTORS' REPORT FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022 (CONTINUED)

Financial risk management objectives and policies
The Group utilises financial instruments (see note 27), comprising cash, loans, 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.

1. Interest rate risk
The Group finances its operations through a mixture of equity and loans. Loans made to the Group are under the UK Government's CBILs scheme and are at a floating interest rate based on the Sterling Over Night Index Average ("SONIA") rate plus 6%, subject to this being more than 8%. If the SONIA rate is less than 2%, the interest rate payable is 8%.

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 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 loans. With cash balances of £2.34 million at the balance sheet date, the Group's cash position is considered to be reasonable.

Statement of Directors' Responsibilities
The directors are responsible for preparing the Strategic Report and the Directors' Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and company financial statements for each financial year. The directors have elected under company law and are required under the Listing Rules of the Financial Conduct Authority to prepare the group financial statements in accordance with UK-adopted International Accounting Standards. The directors have elected under company law to prepare the company financial statements in accordance with UK-adopted International Accounting Standards.

The group and company financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position of the group and the company and the financial performance of the group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing each of the group and company financial statements, the directors are required to:

a) select suitable accounting policies and then apply them consistently;
b) make judgements and accounting estimates that are reasonable and prudent;
c) state whether they have been prepared in accordance with UK-adopted International Accounting Standards ;
d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the 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 the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022 (CONTINUED)

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed in the Directors' report confirm that, to the best of each person's knowledge:

a. the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the company and the undertakings included in the consolidation taken as a whole; and
b. the Directors' report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the OTAQ 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, Azets Audit Services, has expressed willingness to continue in office. In accordance with section 489(4) of the Companies Act 2006, a resolution to re-appoint Azets Audit Services will be proposed at the Annual General Meeting.

Annual General Meeting
The Annual General Meeting of the Company will be held on Thursday 15th June 2023 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
18 May 2023

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 period ended 31 December 2022 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statement of financial position, the consolidated and parent company statement of changes in equity, the consolidated statement of cash flows and the consolidated and parent company notes to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK adopted international accounting standards 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 December 2022 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards 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.

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our approach to the audit
In designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we considered the areas involving significant accounting estimates and judgements made by those charged with governance which involved consideration of future events that are inherently uncertain and as such, the valuation of goodwill was considered to be a key audit matter.

We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Our audit testing included substantive testing on significant transactions, balances and disclosure, the extent of which was based on factors such as our overall assessment of the control environment.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OTAQ PLC

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of the most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter description	How the matter was addressed in the audit
Valuation, classification and disclosure of goodwill	
Goodwill of £1,031k represents 16% of total group equity and the group has made a loss in the current and previous financial period. There is a risk that the requirements of paragraph 134 of IAS 36 'Impairment of assets' have not been appropriately applied resulting in an incorrect valuation and overstatement of the period end balance sheet.	We obtained a breakdown of goodwill and reviewed the basis on which this was allocated to cash generating units. We obtained management's impairment assessment and reviewed and challenged the assumptions and judgements impacting on the calculations. We reviewed the disclosure included within the notes to the financial statements.

Our application of materiality
We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements. In general, misstatements, including omissions, are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

	Group	Parent company
Overall materiality	68,300	66,650
Basis for determining materiality	2% of annualised turnover	2% of net assets
Rationale for benchmark applied	As a trading company with multiple income streams growth in turnover is a key driver for the shareholders.	The company is a holding company with key metrics being future potential growth and a healthy balance sheet
Basis for determining performance materiality	65% of overall materiality	65% of overall materiality
Reporting of misstatements to the audit committee	Misstatements above £3,415 and misstatements below that threshold that we considered it necessary to report on qualitative grounds.	Misstatements above £3,330 and misstatements below that threshold that we considered it necessary to report on qualitative grounds.

Other information
The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF OTAQ PLC

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of our audit:
- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, 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 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.

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council’s website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the entity through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

Other matters which we are required to address

We were appointed by the board of OTAQ PLC on the 20 December 2022 to audit the financial statements for the period ending 31 December 2022.

Our total uninterrupted period of engagement is 1 year, covering only the period ending 31 December 2022.

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.

Azets Audit Services

Susanna Cassey (Senior Statutory Auditor)
For and on behalf of Azets Audit Services

18 May 2023

Chartered Accountants
Statutory Auditor

Fleet House
New Road
Lancaster
United Kingdom
LA1 1EZ

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022

	Note	Nine-month period ended 31 December 2022	Year ended 31 March 2022
		£'000	£'000
Revenue	4	2,561	4,292
Cost of sales		(1,767)	(2,265)
Gross profit		**794**	**2,027**
Administrative expenses		(3,104)	(4,141)
Operating loss	5	**(2,310)**	**(2,114)**
Other operating income	5	-	131
Finance income	7	1	-
Finance costs	7	(203)	(172)
Loss before taxation		**(2,512)**	**(2,155)**
Taxation	8	217	251
Loss for the year		(2,295)	(1,904)
Attributable to:			
Equity shareholders of the Group		(2,295)	(1,904)
		(2,295)	(1,904)
Other comprehensive income			
Items that will be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		(-)	(7)
Total comprehensive expense for the year		(2,295)	(1,911)
Attributable to:			
Equity shareholders of the Group		(2,295)	(1,911)
		(2,295)	(1,911)

As per note 9, the loss for the year arises from the Group's continuing operations. Losses Per Share were 5.0p (2021/22: loss 5.9p) and Diluted Losses Per Share were 5.0p (2021/22: loss 5.9p).

The accompanying notes on pages 36 to 66 form an integral part of these consolidated financial statements.

OTAQ PLC

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	31 December 2022	31 March 2022
		£'000	£'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	582	919
Right-of-use assets	11	364	434
Unlisted investments	13	511	511
Intangible assets	12	3,008	2,970
Total non-current assets		4,465	4,834
Current assets			
Trade and other receivables	15	689	1,766
Income tax asset	16	275	155
Inventories	17	937	1,182
Cash and cash equivalents	18	2,337	1,008
Total current assets		4,238	4,111
Total assets		**8,703**	**8,945**
EQUITY AND LIABILITIES			
Equity			
Share capital	19	1,278	5,657
Share premium	19	5,834	3,280
Deferred shares	19	5,286	-
Share option reserve	25	134	150
Merger relief reserve	20	9,154	9,154
Reverse acquisition reserve	20	(6,777)	(6,777)
Other reserve	20	400	384
Revenue reserve	20	(8,963)	(6,668)
Total equity		6,346	5,180
Non-current liabilities			
Deferred tax	23	-	80
Financial liabilities	24	1,054	1,392
Lease liabilities	11	181	255
Total non-current liabilities		1,235	1,727
Current liabilities			
Trade and other payables	22	503	1,243
Financial liabilities	24	447	421
Deferred payment for acquisition	21	-	213
Lease liabilities	11	172	161
Total current liabilities		1,122	2,038
Total liabilities		2,357	3,765
Total equity and liabilities		**8,703**	**8,945**

The accompanying notes on pages 36 to 66 form an integral part of these consolidated financial statements. The financial statements were approved by the board of directors and authorised for issue on 18th May 2023. The results of the parent company are included on pages 67 to 71.

Signed on its behalf by M J Enright: Company number: 11429299

OTAQ PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022

	Note	Share capital £'000	Share premium £'000	Deferred shares £'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	Total equity £'000
Balance at 1 April 2021		**4,614**	**2,897**	-	473	**9,154**	**(6,777)**	136	**(4,764)**	**5,733**	**5,733**
Loss for the year		-	-	-	-	-	-	-	(1,904)	(1,904)	(1,904)
Exchange differences on translating foreign operations		-	-	-	-	-	-	(7)	-	(7)	(7)
Total comprehensive expense for the year		-	-	-	-	-	-	(7)	(1,904)	(1,911)	(1,911)
Issues of shares		955	383	-	-	-	-	-	-	1,338	1,338
Transfer on exercised and cancelled options		88	-	-	(343)	-	-	255	-	-	-
Charge for share options	25	-	-	-	20	-	-	-	-	20	20
Balance at 31 March 2022		**5,657**	**3,280**	**-**	**150**	**9,154**	**(6,777)**	**384**	**(6,668)**	**5,180**	**5,180**
Balance at 1 April 2022		**5,657**	**3,280**	**-**	**150**	**9,154**	**(6,777)**	**384**	**(6,668)**	**5,180**	**5,180**
Loss for the year		-	-	-	-	-	-	-	(2,295)	(2,295)	(2,295)
Exchange differences on translating foreign operations		-	-	-	-	-	-	-	-	-	-
Total comprehensive expense for the year		-	-	-	-	-	-	-	(2,295)	(2,295)	(2,295)
Sub-division and conversion of shares	19	(5,286)	-	5,286	-	-	-	-	-	-	-
Issues of shares	19	907	2,554	-	-	-	-	-	-	3,461	3,461
Transfer on exercised and cancelled options	25	-	-	-	(16)	-	-	16	-	-	-
Balance at 31 December 2022		**1,278**	**5,834**	**5,286**	**134**	**9,154**	**(6,777)**	**400**	**(8,963)**	**6,346**	**6,346**

OTAQ PLC

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022

	Note	31 December 2022 £'000	31 March 2022 £'000
Cash flows from operating activities			
Operating loss		(2,310)	(2,114)
Adjustments for non-cash/non-operating items:			
Depreciation of property, plant and equipment	10	304	741
Impairment of property, plant and equipment	10	62	311
Loss on disposal of property, plant and equipment	10	6	-
Depreciation of right-of-use assets	11	130	164
Amortisation of intangible assets	12	181	277
Impairment of intangible assets	12	145	295
Gain on remeasurement of deferred consideration payable	21	-	40
Share option charge	25	-	20
		(1,482)	(266)
Changes in working capital:			
Decrease / (increase) in inventories		245	(283)
Decrease / (increase) in trade and other receivables		1,077	(906)
Decrease in trade and other payables		(740)	(603)
Cash from operations		(900)	(2,058)
Taxation		17	289
Net cash from operating activities		(883)	(1,769)
Cash flows from investing activities			
Purchases of tangible fixed assets	10	(35)	(423)
Purchases of intangible assets	12	(364)	(587)
Acquisition of unlisted equity securities	13	-	(214)
Interest received		1	-
Deferred payment of acquisition	21	(213)	-
Re-translation of foreign subsidiaries		-	(7)
Net cash used in investing activities		(611)	(1,231)
Cash flows from financing activities			
Proceeds on issue of shares		3,611	1,408
Expenses of share issues		(150)	(70)
Repayment of loans		(312)	(187)
Principal element of lease payments		(123)	(181)
Interest paid		(203)	(82)
Net cash from financing activities	24	2,823	888
Net increase / (decrease) in cash and cash equivalents		1,329	(2,112)
Cash and cash equivalents at beginning of year		1,008	3,120
Cash and cash equivalents at end of year		**2,337**	**1,008**

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 Aquis 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 in conformity with the requirements UK-adopted International Accounting Standards applicable to companies reporting under IFRS and the Companies Act 2006. 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 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.

The Group has taken advantage of the audit exemption for one of its subsidiaries, OTAQ Aquaculture Limited (company number SC498922) by virtue of s479A of the Companies Act 2006. The Group has provided a parent guarantee to this subsidiary which has taken advantage of the exemption from audit. The parent company has applied FRS101 in its entity statements.

(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 December each year. In years prior to 31 December 2022, the financial statements were drawn up to 31 March each year. The year end date was amended on 16 December 2022 in order to algin with investor expectations. 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.

2. Accounting policies (continued)

(b) Basis of consolidation (continued)

All subsidiaries are entities in which the Group owns sufficient share capital and has sufficient voting rights in order 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) 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.

(d) Going Concern

The Group is developing new products for its core markets in Offshore and Aquaculture as well as the new Geotracking division. The Group has invested heavily in the development and procurement of these products and has achieved this through use of its cash reserves as well as the funds received following the share issue in November 2022. As at 31 December 2022, the Group had cash and cash equivalents of £2,337,000. 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 forecasts generated by the Group, which cover the period to June 2024 and have been modelled for reductions in anticipated revenue, demonstrate sufficient ongoing demand to satisfy liabilities as they fall due. For these reasons the directors continue to adopt the going concern basis in preparing Group’s financial statements

(e) Functional and presentational currency

The financial statements are presented in pounds sterling, which is the Group’s functional and presentation currency. All financial information presented has been rounded to the nearest thousand.

(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 measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of sales related taxes.

Revenue related to sales of stock is recognised when goods are dispatched and the title and control over a product have passed to the customer, in accordance with agreed delivery terms.

Revenue under service contracts is recognised over the period in which the performance obligation relating to the agreed contract are satisfied. For rentals of the Group’s assets, revenue is recognised on a monthly basis based on the agreed rate and number of days for which the asset is on hire to the customer. Some contractual revenue is invoiced in advance and gives rise to a contract liability which is recognised as deferred income.

(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. Government grants relating specifically to Covid-19 support measures have been disclosed as “other operating income”.

2. Accounting policies (continued)

(i) Leases

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;
- 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.

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

2. Accounting policies (continued)

(i) Leases (continued)

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.

Amounts due under the HMRC Research and Development tax credit scheme are accounted for based on the amount of qualifying expenditure in the year and assuming 14.5% of the claim is paid in cash once applicable losses and future profitability have been reviewed.

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 2 to 5 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 items are 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.

3. Accounting policies (continued)

(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 also charged to the statement of comprehensive income in the year of expenditure, except when individual projects satisfy the following criteria:

- the project is clearly defined and related expenditure is separately identifiable;
- the project is technically feasible and commercially viable;
- current and future costs will be exceeded by future sales; and
- adequate resources exist for the project to be completed.

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. Once a project is completed, any further costs are charged to the statement of comprehensive income. 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

Goodwill is recognised when the purchase price of a business exceeds the fair value of the assets acquired. Goodwill is subject to annual impairment reviews.

(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.

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.

2. Accounting policies (continued)

(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 if they are deemed to be no longer usable or sellable.

(p) Financial instruments

A financial asset or financial liability is initially measured at fair value. For an item not at fair value, adjustments to fair value are made through profit and loss (FVTPL) including transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at fair value and subsequently measured at amortised cost.

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;
- 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).

2. Accounting policies (continued)

(p) Financial instruments (continued)

Financial assets (continued)

Financial assets at amortised cost are subsequently measured fair value. 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.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. 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 from the date of acquisition. Foreign balances are revalued with any gain or loss adjusted.

(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.

(s) Share capital and premium

Proceeds on issue of shares are included in shareholders' equity, net of transaction costs. The carrying amount is not re-measured in subsequent years. The proceeds of the issue of shares up to the nominal ordinary share value of 15p are included in share capital with the balance of the proceeds, net of relevant transaction costs, included in the share premium

(t) Share option reserve

The cost of issuing share options is calculated using the Black-Scholes method and are included in the share option reserve until the share options are exercised, lapsed or cancelled.

(u) Unlisted Investments

Unlisted investments are stated at fair value with adjustments made following annualised fair value reviews through impairment charges.

(v) 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.

2. Accounting policies (continued)

(w) New and amended standards adopted by the Group

The following new accounting standards, interpretations and amendments to existing standards have been published and are mandatory for the accounting period beginning on 1 April 2022.

- Amendments to IAS 16: Property, Plant and Equipment: Proceeds before intended use.
- Amendments to IFRS 3: Reference to the Conceptual Framework.
- Amendments to IAS 37: Onerous Contracts - Cost of Fulfilling a Contract.
- Annual Improvements to IFRS Standards 2018 – 2020: Including amendments to IFRS 9 Financial Instruments and IFRS 16 Lease.

The new and amended standards adopted by the Group in the year have not resulted in any impact in the current financial statements.

Standards which are in issue but not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective:

- Amendments to IAS 1: Presentation of Financial Statements (Effective 1 January 2024) and Disclosure of Accounting Policies (Effective 1 January 2023).
- Amendments to IAS 8: Definition of Accounting Estimates (Effective 1 January 2023).
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Effective 1 January 2023).
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback (Effective 1 January 2024).

The Group does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

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 December 2022 was £995,000 (2021/22: £595,000). The value of the deferred tax liability at the period-end is nil (2021/22: £105,000. Further information is included in notes 8 and 23.

Useful Economic Life of assets and impairment

Judgements are required as to the useful economic life of systems for rental assets. Further information on all useful economic lives of assets is included in notes 2 and 10.

Development costs

Management judgement is required to determine the appropriate value of an asset as well as when an asset should be recognised. The value of the recognised asset is written off over the useful economic life of the asset. These judgements are based upon the likely timing and level of future revenues. Development costs are periodically and at least annually assessed for impairment and costs are written-off if the project to which they relate is no longer considered to be commercially viable. The value of the development costs capitalised at 31 December 2022 was £1,538,000 (2021/22: £1,411,000). Further information is included in note 12.

Goodwill impairment

Judgements are required as to the useful economic life of goodwill. These judgements are based upon the likely future benefits that will be derived from the recognised goodwill. Further information on all useful economic lives of assets is included in notes 2 and 12.

4. Segmental information

The directors review segmental information at a revenue, gross margin, salary and operating cost level but do not review the balance sheet by segments.

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 sale and supply of rental systems to the Aquaculture industry, the manufacture, rental and sale of underwater measurement devices, leak detection devices and underwater communication devices in the Offshore market and the manufacture and sale of Geotracking devices (GeoTracking).

All of the Group's revenue have been generated from continuing operations, are from external customers and relates to point-in-time revenue recognised when the product or service is delivered.

	31 December 2022 £'000	31 March 2022 £'000
Analysis of revenue		
Amounts earned from Aquaculture rentals and sales	882	1,450
Amounts earned from Offshore rentals and sales	1,620	2,085
Amounts earned from Geotracking	59	757
	2,561	4,292

There are no material customers included within revenue (2021/22, one: £725,000).

	31 December 2022 £'000	31 March 2022 £'000
Analysis of gross profit		
Amounts earned from Aquaculture rentals and sales	(114)	590
Amounts earned from Offshore rentals and sales	880	1,094
Amounts earned from Geotracking	28	343
	794	2,027

4. Segmental information (continued)

The Group operates in six 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 December 2022 £'000	31 March 2022 £'000
Revenue		
UK	1,290	2,302
Chile	137	326
Asia	293	361
Europe (excluding UK)	354	548
North America	403	462
Rest of the World	84	293
	2,561	4,292

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 December 2022 £'000	31 March 2022 £'000
Depreciation of property, plant and equipment (see note 10)	304	741
Depreciation of right-of-use assets (see note 11)	130	164
Impairment of property, plant and equipment (see note 11)	62	311
Amortisation and impairment of intangible assets (see note 12)	326	572
Research and development costs	1	227
Exceptional costs	1,230	257
Government grants relating to Covid-19 (Other Operating Income)	-	(131)
Share-based payment charge (see note 25)	-	20
Loss on disposal of assets	6	-
Net foreign exchange (gains) / losses	(37)	1

Exceptional costs relate to one-off and non-recurring costs primarily professional fees incurred in relation to fund raising activities and the exit of the Scottish acoustic deterrent device market in Scotland.

Auditor remuneration

	31 December 2022 £'000	31 March 2022 £'000
Audit services:		
Fees payable to the Group's auditor for the audit of the Group and Company annual accounts	22	35
Fees payable to the Group's auditor for the audit of the Company's subsidiaries	26	45
	48	80

6. Staff costs and numbers

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

	31 December 2022 No.	31 March 2022 No.
Directors	3	2
Administration	14	17
Engineering	8	9
Manufacturing	18	17
	43	45

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

	31 December 2022 £'000	31 March 2022 £'000
Wages and salaries	1,562	2,212
Social security costs	167	171
Other pension costs	42	56
	1,771	2,439

Directors' remuneration

Full details of the directors' remuneration, for current directors, is provided in the Directors' Remuneration Report on pages 21 to 23.

	31 December 2022 £'000	31 March 2022 £'000
Directors' emoluments	329	624
Company contributions to defined contribution pension schemes	11	14
	340	638

The highest paid director received remuneration of £132,382 (2021/22: £390,219)

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 independently administered funds. Retirement benefits are accruing to 3 directors (2021/22: 2).

The charge to the statement of comprehensive income in respect of defined contribution schemes was £37,000 (2021/22: £56,000). Contributions totalling £9,000 (2021/22: £8,000) were payable to the fund at the year-end and are included in creditors.

7. Net finance costs

	31 December 2022 £'000	31 March 2022 £'000
Finance income		
Bank interest received	1	-
Total finance income	1	-
Finance costs		
Bank and loan interest payable	(136)	(156)
Unwinding of discount on deferred acquisition payment	(62)	(10)
Lease interest payable	(5)	(6)
Total finance costs	(203)	(172)
Net finance costs	(202)	(172)

8. Taxation

The tax credit is made up as follows:

	31 December 2022 £'000	31 March 2022 £'000
Current income tax:		
Adjustments in respect of prior year	(18)	(11)
Research and development income tax credit receivable	(119)	(144)
Total current income tax	(137)	(155)
Deferred tax expense:		
Origination and reversal of temporary differences	(80)	(96)
Tax credit per statement of comprehensive income	(217)	(251)

8. Taxation (continued)

The tax charge differs from the standard rate of corporation tax in the UK of 19% for the nine-month period ended 31 December 2022 (19% for the year ended 31 March 2022). The differences are explained below:

	31 December 2022 £'000	31 March 2022 £'000
Loss on ordinary activities before taxation	(2,512)	(2,155)
UK tax credit at standard rate of 19% (2021/22: 19%)	(477)	(409)
Effects of:		
Fixed assets timing differences	(80)	(74)
Expenses not deductible for tax	77	95
Additional deduction for R&D expenditure	(119)	(144)
Adjustments in respect of prior year	(18)	(11)
Prior year losses utilised	-	43
Deferred tax not recognised	400	249
Total taxation credit	(217)	(251)

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% (2021/22: 19%) is £995,000 (2021: £595,000), of which £nil (2021: £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 has not recognised a deferred tax liability in the year as it is covered by accumulated losses (2021/22: £80,000).

From 1 April 2023 the corporation tax rate will increase to 25%. This was substantively enacted on 24 May 2021. The deferred tax balance at 31 December 2022 has been calculated based on the rate as at the balance sheet date of 25%.

9. Losses per share

Basic earnings or losses per share are calculated by dividing the loss or 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 or losses per share are 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 or losses per share is based on the following losses and number of shares.

A reconciliation is set out below.

	2022 £'000	2021/22 £'000
Loss for the year attributable to owners of the Group	(2,459)	(1,904)
Weighted average number of shares:		
- Basic	49,659,304	32,535,945
- Diluted	94,036,802	34,024,147
Basic losses per share (pence)	(5.0)	(5.9)
Diluted losses per share (pence)*	(5.0)	(5.9)

Weighted average number of shares:		
- Basic	49,659,304	32,535,945
- Diluted	94,036,802	34,024,147
Adjusted basic losses per share (pence)	(5.0)	(5.9)
Adjusted diluted losses per share (pence)	(5.0)	(5.9)

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.

*These shares are not considered dilutive because they decrease the loss per share.

10. Property, plant and equipment

	Systems for rental £'000	Plant and equipment £'000	Motor vehicles £'000	**Total £'000**
COST				
At 31 March 2021	2,588	361	86	**3,035**
Additions	370	52	1	**423**
At 31 March 2022	2,958	413	87	**3,458**
Additions	23	11	1	**35**
Disposals	(348)	(6)	(9)	**(363)**
At 31 December 2022	2,633	418	79	**3,130**
DEPRECIATION				
At 31 March 2021	1,330	124	33	**1,487**
Depreciation charge for year	625	89	27	**741**
Impairment for year	311	-	-	**311**
At 31 March 2022	2,266	213	60	**2,539**
Depreciation charge for year	218	71	15	**304**
Disposals	(348)	(3)	(6)	**(357)**
Impairment for year	62	-	-	**62**
At 31 December 2022	2,198	281	69	**2,548**
NET BOOK VALUE				
At 31 December 2022	435	137	10	**582**
At 31 March 2022	692	200	27	**919**

Depreciation charges in relation to Systems for rental are included in Costs of sale. All other depreciation is included in administrative expenses.

Impairment charges for the year relate to Sealfence rental systems returned from customers. The impairment review performed has been carried out on an individual asset basis, being the smallest group of assets contributing to future economic benefits.

11. Leases

Right-of-use assets

	Buildings and facilities £'000	Motor vehicles £'000	Total £'000
Cost			
At 31 March 2021	511	134	645
Additions	33	43	76
Disposals	(27)	-	(27)
At 31 March 2022	517	177	694
Additions	60	-	60
Disposals	(52)	-	(52)
At 31 December 2022	525	177	702
Accumulated depreciation			
At 31 March 2021	101	18	119
Charge for the year	123	41	164
Disposals	(23)	-	(23)
At 31 March 2022	201	59	260
Charge for the year	96	34	130
Disposals	(52)	-	(52)
At 31 December 2022	245	93	338
Carrying amount			
At 31 December 2022	280	84	364
At 31 March 2022	316	118	434

The Group leases several assets including buildings and facilities as well as motor vehicles acquired during the year. The average lease term by asset is 3.5 years (2021/22: 2.8 years). This term, excluding Motor Vehicles, include some extension rights, which the Group is may or may not exercise.

Amounts recognised in profit and loss:

	31 December 2022 £'000	31 March 2022 £'000
Depreciation expense on right-of-use assets	130	164
Interest expense (included in finance cost)	6	6

The total cash outflow for leases amount to £123,000 (2021/22: £181,000).

11. Leases (continued)

Lease liabilities

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

	31 December 2022 £'000	31 March 2022 £'000
Year 1	180	168
Year 2	137	155
Year 3	53	92
Year 4	0	21
Interest costs	(17)	(20)
Total lease liabilities	353	416

	31 December 2022 £'000	31 March 2022 £'000
Due within one year	172	168
Due in over one year	181	248
Total lease liabilities	353	416

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	Development costs	**Total intangible assets**
	£'000	£'000	£'000	£'000	£'000
Cost					
At 31 March 2021	1,059	515	428	1,427	**3,429**
Additions	-	-	-	587	**587**
At 31 March 2022	1,059	515	428	2,014	**4,016**
Additions	-	-	-	364	**364**
Disposals	-	-	-	(206)	**(206)**
At 31 December 2022	1,059	515	428	2,172	**4,174**
Amortisation					
At 31 March 2021	28	129	152	165	**474**
Charge for the year	-	64	70	143	**277**
Impairments	-	-	-	295	**295**
At 31 March 2022	28	193	222	603	**1,046**
Charge for the year	-	48	41	92	**181**
Impairments	-	-	-	145	**145**
Disposals	-	-	-	(206)	**(206)**
At 31 December 2022	28	241	263	634	**1,166**
Net Book Value					
At 31 December 2022	1,031	274	165	1,538	**3,008**
At 31 March 2022	1,031	322	206	1,411	**2,970**

12. Intangible assets (continued)

Goodwill relates to the acquisition of MarineSense Limited (now part of the Offshore cash generating unit) of £611,000 and the acquisition of Link Subsea Limited (now part of the Offshore cash generating unit) of £420,000. Impairment calculations are reviewed bi-annually to ensure goodwill is valued fairly.

Discounted cash flow modelling is undertaken based on forecast future revenues and costs and the values compared to the value of goodwill recognised with any required adjustments made accordingly. The discounted cash flow modelling shows significant headroom in the forecast future values of the business units relating to Goodwill compared to the carrying values of Goodwill. Forecast future values were assessed over five years with recoverable amounts determined by considering value in use, no growth rates were assumed and 8% was used as the modelling discount rates. For these reasons, it is not considered reasonable that a reasonably possible change in the key assumptions would result in the recoverable amounts being less than the carrying amount of Goodwill.

IP license costs mostly pertain to the intellectual property acquired as a part the acquisition of assets and liabilities of ROS Technology Limited, which took place in November 2020. The Group elected to apply the optional concentration test, which resulted in a conclusion that the acquisition is not a business combination on the basis that substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets. Therefore, this acquisition was accounted as an asset acquisition (i.e. outside the scope of IFRS 3). The remaining useful life of this asset is 2.9 years (2021/22: 3.6 years).

Development costs primarily relate to the development of the Group's new products which involve the utilisation internal salary costs and purchase of external materials for the development of prototypes.

13. Unlisted investments

	31 December 2022 £'000	31 March 2022 £'000
Unlisted equity securities	511	297
Additions in the year	-	214
	511	**511**

Unlisted equity securities pertain to 15% of ordinary share capital of Minnowtech LLC and 10% of ordinary share capital of Blue Lions Labs Ltd which are both held directly by OTAQ Group Limited.

The directors consider that the carrying amount of unlisted equity securities approximates to their fair value based on level 2 inputs for both investments which include indicative third-party valuations of the investments and internal valuation models provided by the investments themselves based on forecasts. Based on this information, no impairment is required at the reporting date.

14. Subsidiaries of the Group

The principal subsidiaries of the Group at 31 December 2022 and 31 March 2022 are as follows:

Subsidiary undertakings	Country of incorporation	Principal activity	Class of shares held	% Held
OTAQ Group Limited [1]	England	Manufacturing	Ordinary	100% direct
OTAQ Aquaculture Limited[2]	Scotland	Fish farm security	Ordinary	100% indirect
OTAQ Chile SpA* [3]	Chile	Sales	Ordinary	100% indirect
OTAQ Connectors Limited [1]	England	Dormant	Ordinary	100% indirect
OTAQ Offshore Limited [2]	Scotland	Dormant	Ordinary	100% indirect
OceanSense Limited[2]	Scotland	Dormant	Ordinary	100% indirect
OTAQ Australia PTY[4]	Australia	Sales	Ordinary	100% indirect

OTAQ Group UK Limited and OTAQ UK Limited were formally dissolved on 27 July 2021.

*OTAQ Chile SpA has a year end date of 31 December in order to comply with the requirements of the Chilean authorities.

[1] Registered office address: 8-3-4 Harpers Mill, South Road, White Cross, Lancaster, England, LA1 4XF
[2] Registered office address: Crombie Lodge, Aberdeen Innovation Park, Campus 2, Aberdeen, Scotland, AB22 8GU
[3] Registered office address: Pacheco Altamarino 2875, Puerto Montt, Chile
[4] Registered office address: 12 Belar Avenue, Terrigal, New South Wales 2260, Australia

15. Trade and other receivables

	31 December 2022 £'000	31 March 2022 £'000
Current:		
Trade receivables – gross claim value	377	1,467
Provision for impairment of trade receivables	(9)	(28)
Prepayments	125	142
Other	196	185
	689	1,766

Trade receivables are non-interest bearing and are generally due and paid within 30 to 60 days. As trade receivables are short-term, the simplified approach under IFRS 9 applies as the credit risk exposure period is unlikely to have a significant change in economic conditions. Trade and other receivables represent financial assets and are considered for impairment on an expected credit loss mode based on historic credit notes issued. Therefore, there is a provision for impairment at the statement of financial position date of £9,000 (2021/22: £28,000).

The age of net trade receivables is all within one year (2021/22: one year except for £23,000 which is less than two years) and the average gross debtor days calculated on a count back basis were 52 days (2021/22: 78 days).

16. Income tax asset

	31 December 2022 £'000	31 March 2022 £'000
Research and development tax credit receivable	275	155
	275	155

17. Inventories

	31 December 2022 £'000	31 March 2022 £'000
Stock	937	1,182
	937	1,182

The value of inventory provided for as at 31 December 2022 is £558,000 (2021/22: £64,000). £967,000 of stock was expensed in the year through cost of sales (2021/22: £1,010,000).

18. Cash and cash equivalents

	31 December 2022 £'000	31 March 2022 £'000
Cash at bank and in hand	2,337	1,008
	2,337	1,008

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 December 2022 £'000	31 March 2022 £'000
Allotted, called-up and fully paid: 127,824,881 (2021/22: 37,716,250) Ordinary shares of £0.01 each (2021/22: £0.15 each)	1,278	5,657

Movements in ordinary shares:

	Shares No	**Share capital £'000**	**Share premium £'000**	**Deferred Shares £'000**	**Total £'000**
At 31 March 2021	30,763,251	4,614	2,897	-	7,511
Shares issued to employees	95,854	14	14	-	28
Shares issued during the year	6,272,729	941	369	-	1,310
Exercise of share options	584,416	88	-	-	88
At 31 March 2022	37,716,250	5,657	3,280	-	8,937
Shares issued to employees	108,631	7	4	-	11
Shares issued during the period	90,000,000	900	2,550	-	3,450
Shares sub-divided and converted	-	(5,286)	-	5,286	-
At 31 December 2022	127,824,881	1,278	5,834	5,286	12,398

During the year 108,631 (2021/22: 95,854) ordinary shares were issued at price ranges between 5p and 21p per share as part of the all UK employee Share Incentive Plan.

On 9 November 2022, 90,000,000 ordinary shares were issued following a General Meeting of the Company held on 7 November 2022 at a price of 4p per share. Contemporaneously, the existing ordinary share capital consisting of 37,758,052 ordinary shares of nominal value £0.15 each were sub-divided and each replaced with one new ordinary share of £0.01 each and one deferred share of £0.14. The new ordinary shares have the same rights as the ordinary shares they replaced. The new deferred shares have no economic rights.

On 11 January 2022, 6,272,729 ordinary shares were issued at a price of 22p per share following a General Meeting of the Company held on 10 January 2022.

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.

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 less applicable costs and is non-distributable.

Deferred shares
The deferred shares account represents the amount received on the cancellation of 15p ordinary shares by the Company and the creation of 1p ordinary shares and 14p deferred shares and is non-distributable.

Merger relief reserve
The merger relief reserve arose on the Company's reverse acquisition of OTAQ Group Limited on 31 March 2020 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
Other reserve represents the value of the exercised or lapsed share options which were exercised and the foreign exchange in relation to the translation of subsidiaries reporting in foreign currencies.

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

21. Deferred payment for acquisition

	31 December 2022 £'000	31 March 2022 £'000
Current		
Fair value of deferred cash consideration on the acquisition of OTAQ Offshore Limited (formerly MarineSense Limited)	-	213
	-	213

	31 December 2022 £'000	31 March 2022 £'000
Deferred payment for acquisition movement		
Opening balance	213	215
Unwinding of discount	62	10
Repayments	(275)	(52)
Revaluation of the deferred consideration	-	40
Closing balance	-	213

22. Trade and other payables

	31 December 2022 £'000	31 March 2022 £'000
Current:		
Trade payables	305	520
Accrued expenses	96	109
Deferred revenue	24	453
Other creditors	78	161
	503	1,243

Trade and other payables comprise amounts outstanding for trade purchases and on-going costs. Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period on purchases is 30 days (2021/22: 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.

23. Deferred tax liability

	31 December 2022 £'000	31 March 2022 £'000
Deferred tax liability		
Deferred taxation on intangibles recognised at acquisition	-	80
	-	80

From 1 April 2023 the corporation tax rate will increase to 25%. This was substantively enacted on 24 May 2021. The deferred tax balance at 31 December 2022 has been calculated based on the rate as at the balance sheet date of 25%.

24. Borrowings

	31 December 2022 £'000	31 March 2022 £'000
Interest bearing loans	1,501	1,813
	1,501	1,813

Analysis of loans and borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	31 December 2022 £'000	31 March 2022 £'000
Current liabilities	447	421
Non-current liabilities	1,054	1,392
	1,501	1,813

The terms and conditions of outstanding loans are as follows:

			31 December 2022		31 March 2022	
	Nominal interest rate	Date of maturity	Face value £'000	Carrying amount £'000	Face value £'000	Carrying amount £'000
CBILS loan	The higher of 8% p.a. and the monthly average Sterling Over Night Index Average ("SONIA") plus 6.0%	1 January 2026	1,501	1,501	1,813	1,813
Total interest-bearing liabilities			1,501	1,501	1,813	1,813

Liabilities arising from financing activities

	Lease liabilities £'000	CBILS £'000
Balance at 1 April 2022	416	1,813
Cash flows		
Repayment of borrowings	-	(312)
Lease payments	(123)	-
Non-cash changes*	60	-
Balance at 31 December 2022	**353**	**1,501**

*This balance includes £60,000 (2021/22: £76,000) of new leases entered to in the year. The leases liabilities relate to capital amounts only.

25. Share options

On 19 August 2021, the Company granted 550,000 of share options to various key management personnel under the Enterprise Management Incentive ("EMI") Share options. On 16 December 2021, the Company granted 250,000 of share options to a new key management employee under the Enterprise Management Incentive ("EMI") Share options. Vesting conditions are detailed in the Remuneration Committee report.

On 7 November 2022, the Company granted 22,499,978 warrants to shareholders who participated in the new share issue of the same date. The warrants entitle the holder to be issued with one share for every warrant held at a price of 12p per share.

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

Set out below are summaries of options granted under the plan:

	31 December 2022		31 March 2022	
	Weighted average exercise price per share option	**Number of options**	**Weighted average exercise price per share option**	**Number of options**
At 1 April	£0.44	1,810,900	£0.27	1,824,908
Granted during the year	-	-	£0.60	800,000
Exercised during the year	-	-	£0.01	(584,416)
Lapsed during the year	-	-	£0.01	(229,592)
Cancelled during the year	£0.58	(700,000)	-	-
At 31 December / 31 March	£0.14	1,110,900	£0.44	1,810,900

260,900 share options are vested (2021/22: 260,900) and can be exercised

Set out below are summaries of warrants granted:

	31 December 2022		31 March 2022	
	Weighted average exercise price per warrant	**Number of warrants**	**Weighted average exercise price per warrant**	**Number of warrants**
At 1 April	£0.50	320,000	£0.50	320,000
Granted during the year	£0.12	22,499,978	-	-
At 31 December / 31 March	£0.13	22,819,978	£0.50	320,000

The remaining weighted average contractual life of the share options and warrants at 31 December 2022 is 2.43 years 1.82 years respectively with the weighted average exercise price being £0.14 (2021/22: £0.52). The weighted average share price on the date of exercise of share options exercised during the year to 31 March 2022 was £0.36 and no options were exercised in the period to 31 December 2022.

25. Share options (continued)

Fair value of options and warrants granted

The estimated average fair value of 22,499,978 (2021/22: 800,000 options) warrants granted during the year was £nil (2021/22: £0.08). The fair value at grant date is determined using an adjusted form of the Black-Scholes model which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, based on OTAQ plc historical share price history, and the risk-free interest rate for the term of the option.

The model inputs were:
- share prices at grant date of £0.04 (2021/22: £0.23 to £0.42);
- exercise prices of £0.12 (2021/22: £0.595 to £0.600);
- expected volatility of 82% (2021/22: 50% to 58%);
- expected dividend rate of 0% (2021/22: 0%);
- contractual life of 2 years (2021/22: 0 to 3 years); and
- a risk-free interest rate of 3% (2021/22: 1%).

The total reserve and share-based payment expense recognised in the statement of comprehensive income for the period ended 31 December 2022 in respect of these options granted was £nil (2021/22: £20,000).

26. Commitments and contingencies

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

	31 December 2022	31 March 2022
	£'000	£'000
	-	411

The prior year capital commitment related to a purchase order placed for Sealfence systems.

Contingencies
There were no contingent liabilities at 31 December 2022 and 31 March 2022.

27. Financial instruments

Financial assets	**Demand and less than 3 months**	**From 3 to 12 months**	**From 12 months to 2 years**	**From 2 to 5 years**	**More than 5 years**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Trade and other receivables	1,624	-	-	-	-	1,624
Cash and cash equivalents	1,008	-	-	-	-	1,008
31 March 2022	**2,632**	**-**	**-**	**-**	**-**	**2,632**
Trade and other receivables	573	-	-	-	-	573
Cash and cash equivalents	2,337	-	-	-	-	2,337
31 December 2022	**2,910**	**-**	**-**	**-**	**-**	**2,910**

Financial liabilities	**Demand and less than 3 months**	**From 3 to 12 months**	**From 12 months to 2 years**	**From 2 to 5 years**	**More than 5 years**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Trade and other payables	790	441	12			1,243
Loans	102	319	456	936		1,813
Leases	39	123	147	107		416
31 March 2022	**931**	**883**	**615**	**1,043**	**-**	**3,472**
Trade and other payables	479	-	24	-	-	503
Loans	108	339	484	570		1,501
Leases	42	131	130	50		353
31 December 2022	**629**	**470**	**638**	**620**	**-**	**2,357**

The maturity gap analysis on the Group's financial assets and liabilities is as follows:

Liquidity gap	**Demand and less than 3 months**	**From 3 to 12 months**	**From 12 months to 2 years**	**From 2 to 5 years**	**More than 5 years**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
As at 31 March 2022	1,701	(883)	(615)	(1,043)	-	(840)
As at 31 December 2022	2,281	(470)	(638)	(620)	-	553

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, loans 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 linked to SONIA but capped until SONIA exceeds 2%; the Group is now therefore exposed to interest rate risk with SONIA at 3.69% at 31 December 2022. The Group is able to place surplus cash reserves on short-term deposit to help offset the SONIA increase risk. The principal impact to the Group is the result of interest-bearing loans and cash including cash equivalent balances held as set out below:

	31 December 2022			31 March 2022		
	Fixed rate £'000	Floating rate £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Total £'000
Cash at bank and in hand	-	2,337	2,337	-	1,008	1,008
Interest bearing loans	-	(1,501)	(1,501)	(1,813)	-	(1,813)
Total	-	836	836	(1,813)	1,008	(805)

(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 dependent on any external borrowings through it's CBILs facility.

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 December 2022 £'000	31 March 2022 £'000
Trade and other payables		
Less than 2 months	479	629
Other financial liabilities		
Less than 2 months	-	224
3 months - 1 year	13	732
1 - 5 years	1,841	1,647
Total	2,333	3,232

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 as well as additional financing where appropriate 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 £6,270,000 at 31 December 2022 (31 March 2022: £5,180,000). 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 which is assessed through credit checks and trade references. The Group had £377,000 of trade receivables at the period end (2021/22: £1,439,000). 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 United States Dollars, Euros and Chilean Pesos. Transactions outside these currencies 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 December 2022 or at 31 March 2022 and the Group did not enter into any such contracts during 2022 nor 2021.

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

	31 December 2022					31 March 2022					
	GBP £'000	CLP £'000	USD £000	EUR £000	Total £'000	GBP £'000	CLP £'000	USD £000	AUD £000	EUR £000	Total £'000
Cash at bank and in hand	2,279	58	-	-	2,337	904	67	37	-	-	1,008
Trade receivables	261	16	89	11	377	1,294	54	74	-	17	1,439
Trade payables	(281)	(16)	(8)	-	(305)	(410)	(21)	(1)	(88)	-	(520)
Total	2,259	58	81	11	2,409	1,788	100	110	(88)	17	1,927

(f) 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.

(g) 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 December 2022 £'000	31 March 2022 £'000
Charges incurred during the year by OTAQ Group Limited:		
Falanx Cyber Defence Limited – a company controlled by a director who resigned during the year		
For goods and services provided	3	5

There were no outstanding balances between the Group and related parties at 31 December 2022 or 31 March 2022.

Balances and transactions between the Company and its subsidiaries are eliminated on consolidation and are not disclosed in this Note. There are no differences between directors and the key management personnel as they are considered to be the same.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	Year ended 31 December 2022 £'000	Year ended 31 March 2022 £'000
ASSETS			
Non-current assets			
Investment in subsidiaries	3	3,231	3,231
Total non-current assets		3,231	3,231
Current assets			
Trade and other receivables	4	106	3,462
Cash and cash equivalents	5	-	888
Total current assets		106	4,350
Total assets		**3,337**	**7,581**
EQUITY AND LIABILITIES			
Equity			
Share capital	6	1,278	5,657
Share premium	7	5,834	3,280
Deferred shares	7	5,286	-
Share option reserve	9	134	150
Other reserve	7	386	370
Revenue reserve	7	(9,586)	(1,922)
Total equity		3,332	7,535
Current liabilities			
Trade and other payables	8	5	46
Total current liabilities		5	46
Total liabilities		5	46
Total equity and liabilities		**3,337**	**7,581**

As permitted s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The Company's loss for the year was £7,664,000 (2021/22: £410,000). On 16th December 2022, the Company's year end date was amended to 31 December.

These financial statements were approved by the Board of Directors on 18th May 2023.

Signed on behalf of the Board by:

Mr M J Enright
Director

Company number: 11429299

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

The accompanying notes on pages 69 to 71 form an integral part of these financial statements.

OTAQ PLC

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED 31 DECEMBER 2022

	Share capital	Share premium	Deferred shares	Share option reserve	Other reserve	Revenue reserve	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2021	**4,614**	**2,897**	**-**	**473**	**115**	**(1,512)**	**6,587**
Loss and total comprehensive expenses for the year	-	-	-	-	-	(410)	(410)
Issue of share capital	955	383	-	-	-	-	1,338
Transfer on exercise of options	88	-	-	(343)	255	-	-
Charge for share options	-	-	-	20	-	-	20
Balance at 31 March 2022	**5,657**	**3,280**	**-**	**150**	**370**	**(1,922)**	**7,535**
Loss and total comprehensive expenses for the year						(7,664)	(7,664)
Issue of share capital	1,278	5,834	5,286	-	-	-	12,398
Cancellation of shares	(5,657)	(3,280)	-	-	-	-	(8,937)
Transfer on exercise of options				(16)	16	-	-
Charge for share options							
Balance at 31 December 2022	**1,278**	**5,834**	**5,286**	**134**	**386**	**(9,586)**	**3,332**

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

The accompanying notes on pages 69 to 71 form an integral part of these financial statements.

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. Accounting policies

(a) Basis of preparation

The consolidated financial statements of OTAQ plc have been prepared in accordance with International Financial Reporting Standards in conformity with the requirements UK-adopted International Accounting Standards and the Companies Act 2006 applicable to companies reporting under IFRS. The 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 financial statements of OTAQ plc are presented in pounds sterling, which is the presentation currency for the consolidated financial statements.

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions from the requirements of IFRS:

- presentation of a statement of cash flows and related notes;
- disclosure of the objectives, policies and processes for managing capital;
- disclosure of key management personnel compensation;
- disclosure of the categories of financial instrument and the nature and extent of risks arising on these financial instruments;
- comparative period reconciliations for the number of shares outstanding and the carrying amounts of property, plant and equipment, intangible assets, investment property and biological assets;
- disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- a reconciliation of the number and weighted average exercise prices of share options, how the fair value of share-based payments was determined and their effect on profit or loss and the financial position;
- comparative narrative information;
- related party disclosures for transactions with the parent or wholly owned members of the group.

3. Investment in subsidiaries

	31 December 2022 £'000	31 March 2022 £'000
Net book value	3,231	3,231

4. Trade and other receivables

	31 December 2022 £'000	31 March 2022 £'000
Current:		
Amounts due from subsidiaries	-	3,285
Prepayments	21	11
Other	85	166
	106	3,462

Amounts due from subsidiaries are trading balances, are not interest bearing and are repayable on demand. During the period, the amount due from the Company's subsidiaries was waived and taken to the Revenue reserve.

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.

5. Cash and cash equivalents

	31 December 2022 £'000	31 March 2022 £'000
Cash at bank and in hand	-	888
	-	888

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

6. 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.

7. 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/period end at fair value. Further details of share options are included at note 25 in the consolidated financial statements.

Revenue reserve represents accumulated losses.

8. Trade and other payables

	31 December 2022 £'000	31 March 2022 £'000
Current:		
Trade payables	5	21
Accrued expenses	-	25
	5	46

Trade and other payables comprise amounts outstanding for on-going costs. All trade and other payables are current. 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.

9. Share options

Following the reverse acquisition the Company established a new share option scheme, details of which are disclosed in note 25 to the consolidated financial statements.

10. Commitments and contingencies

Capital commitments
There were no capital commitments at 31 December 2022 and 31 March 2022.

Contingencies
There were no contingent liabilities at 31 December 2022 and 31 March 2022.

OTAQ plc Financial Statements for the 9m period ended 31 Dec 2022 FINAL

Final Audit Report 2023-05-18

Created:	2023-05-18
By:	Matt Enright (matt.enright@otaq.com)
Status:	Signed
Transaction ID:	CBJCHBCAABAAV8tlySbmvzhfy90qPBbqsrEET64C852K

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