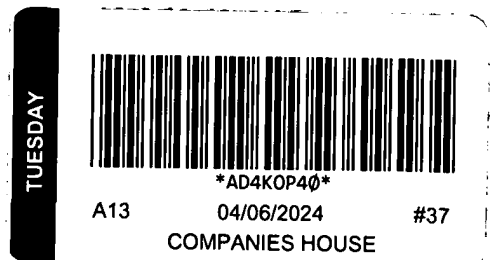


Tekmar Energy Limited

Annual report and financial statements

Registered number 06294325

30 September 2023



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Strategic report

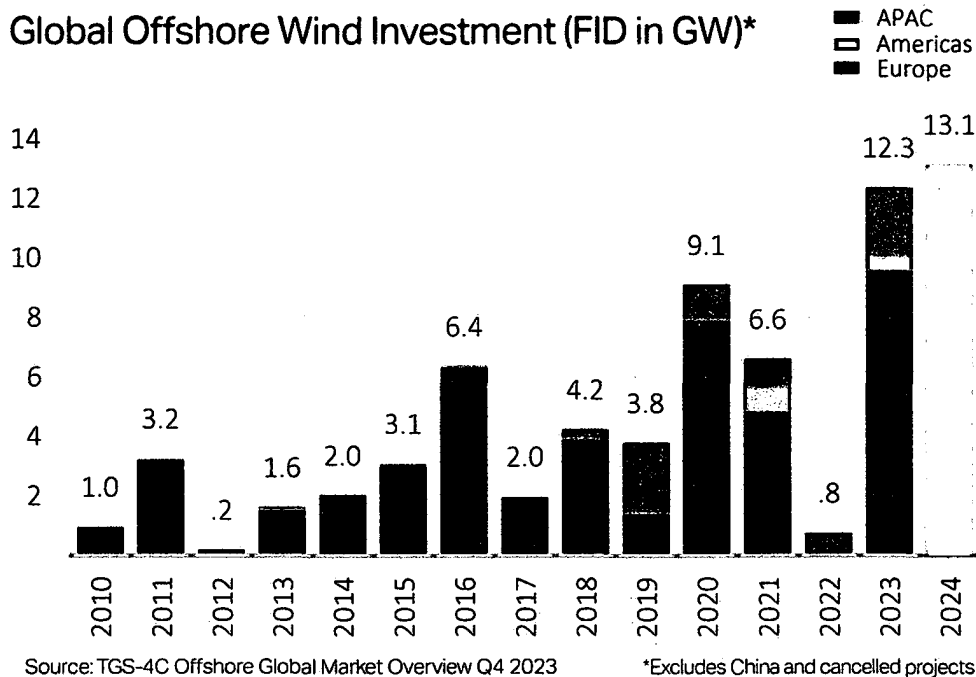
The directors present their Strategic Report and financial statements for the year ended 30 September 2023. The comparative period is the year ended 30 September 2022.

Principal activity

Tekmar Energy (Company), is a global market leader in protection systems for subsea cable, umbilical and flexible pipe. Tekmar Energy has been trusted to protect billions of Euros worth of assets in the offshore wind, oil & gas, wave, tidal and interconnector markets since 1985.

Market Review

The last 12 months saw the offshore energy market continue to evolve. The fallout from the invasion of Ukraine, a conflict in the Middle East compounding the ongoing energy crisis, and offshore wind projects being postponed or cancelled, have dominated the headlines. The supply chain still sees logistical, labour and supply-constraints. Despite this, the offshore wind market reported a record-breaking year following a difficult 2022 (1) and the wider offshore energy and marine civils market have remained buoyant, supporting Tekmar Group's growth plan and ambition.



Offshore Wind is now considered a solution to energy security and affordability, not just climate change. This is reflected in the rapid expansion of offshore wind ambitions, with governments around the world accelerating their offshore wind targets due to market conditions.

As timeframes to achieve carbon reduction targets shorten, countries' have begun looking at regulatory reform to streamline processes. The tighter timeframe will no doubt increase pressure on supply chains and transmission grids, and heighten the risk associated with variable market dynamics and inflation.

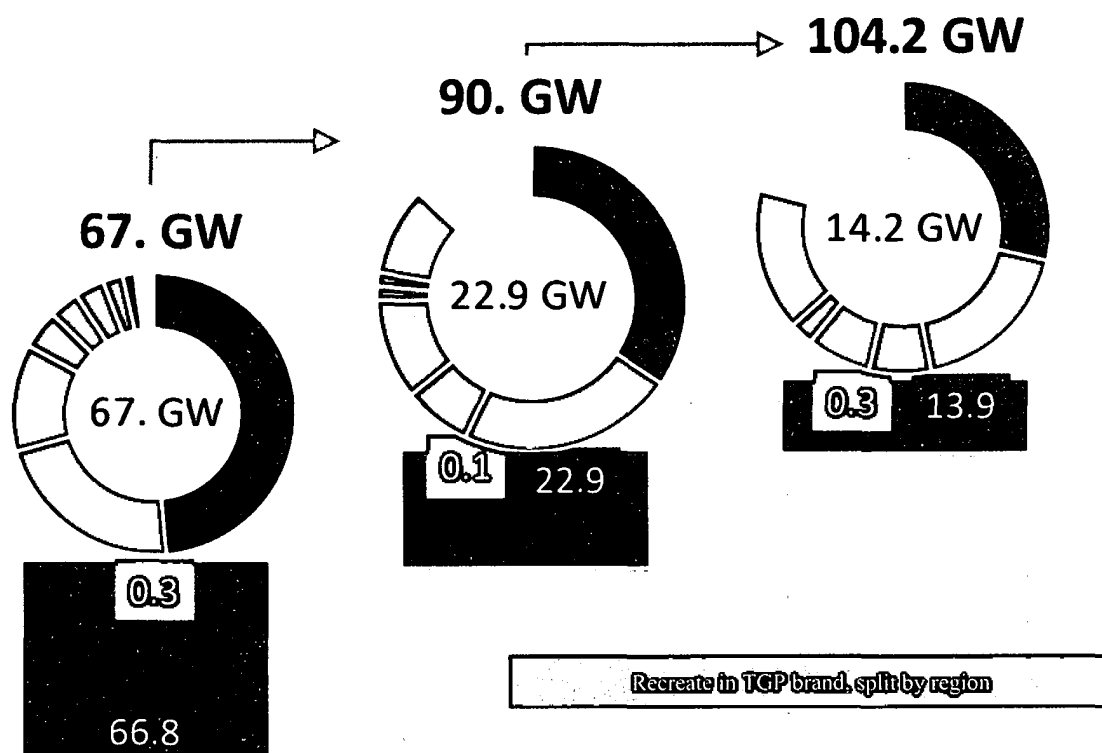
The EU formally adopted an update of the Renewable Energy Directive in October 2023 that, among other measures, increases the binding 2030 target from 32% to 42.5%, with the aim of achieving 45%. Each Member State will contribute to this common target, while no targets were introduced for individual countries. However, meeting the new target of 42.5% for 2030 will demand more than doubling the rates of renewables deployment seen over the past decade, and requires a deep transformation of the European energy system (2).

To de-risk new projects, the British Government has increased the subsidies available to offshore wind developers by up to two-thirds in a sector that is struggling with surging costs. This follows the last UK auction round which did not see a single bid submitted for a new project. Developers said that the maximum strike price of £44 per MWh was too low to offset a surge in costs which has impacted the market globally.

The UK Government wants to increase UK offshore wind capacity almost fourfold to 50GW by 2030, requiring rapid development of projects. (3)

The US roadmap has seen its successes and failures in recent months. Several offshore wind projects were delayed or cancelled due to inflated costs. However, Vineyard Wind and South Fork Wind have started successfully, and Empire Wind 1 has begun awarding contracts to its supply chain. Offshore wind remains an exciting opportunity in the US, with President Biden's administration aiming for 30GW by the end of the decade.

Market momentum is increasing around the rest of the world, with countries such as, South Korea, Vietnam, India, and Brazil committing to ambitious targets, whilst Australia has designated its first six offshore wind development zones off the State of Victoria(4). These newer markets will be looking to the more mature markets for skills and expertise presenting significant opportunity for the Group.



Global Offshore Wind Outlook

In the third quarter of 2023, the global offshore wind build-out forecast was reduced for the next 4 years by 25% compared to previous forecasts. This was in response to an extraordinary period for offshore wind, and with some substantial projects being cancelled or delayed.

Regardless of the setback, the global offshore wind outlook to 2030 still shows credible growth of an additional 163GW by 2030, with a CAGR of 14.4%, taking the total global offshore activity (operational and underway) to 267GW by the end of 2030 – an additional 17GW more than reported in our last annual report.

At time of writing, 37.1GW of global capacity is either under construction or has reached FID (Financial Investment Decision). China also has the most under construction (7.9 GW), which is up on last quarter, followed by the UK (5.2 GW).

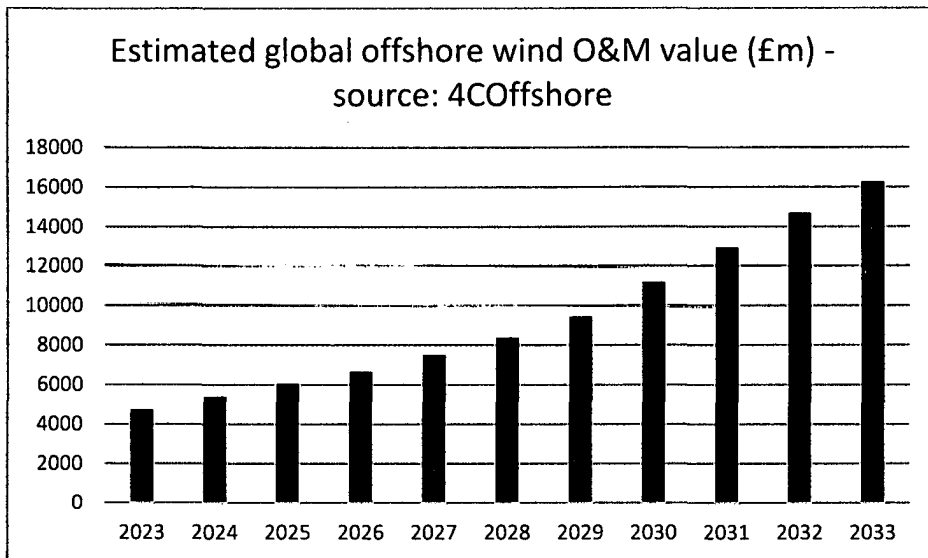
China has installed 32GW of capacity, matching Europe (4), and has the most under construction (7.2GW), which is up on last quarter, followed by the UK (5.2GW).

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

Operations & Maintenance (O&M)

The offshore wind O&M market continues to accelerate as the offshore wind market matures and more assets are installed. The overall scale of the global market is valued at €11.2bn per year by 2030. The UK market alone is valued at €1.9bn per year by 2030 (7). Europe remains the biggest O&M market by region, with expanding markets in Asia and US.

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

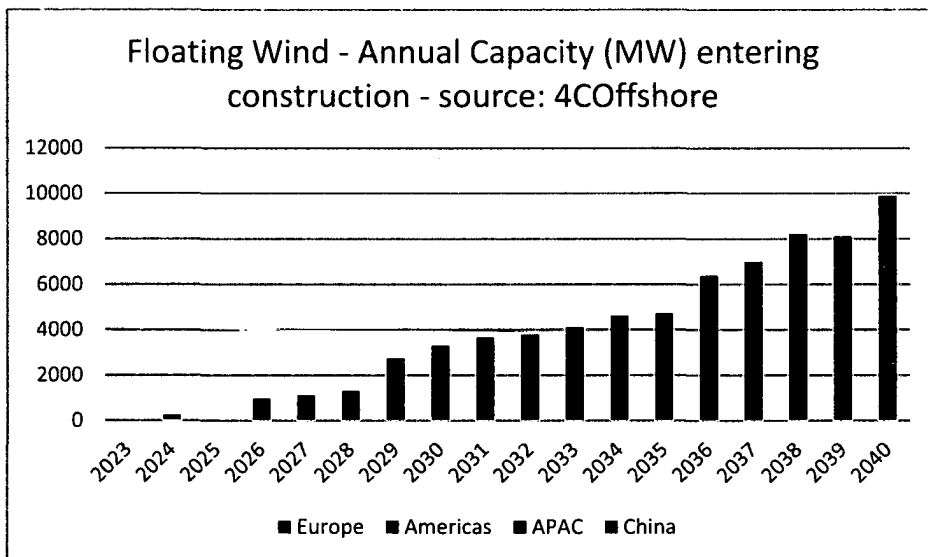


Floating Offshore Wind

The total worldwide pipeline of planned floating wind projects will reach a capacity of 31GW by 2035, over a 3000% increase from 0.3GW currently commissioned. The market is supported by ambitious government growth targets and high supply and demand activities as countries look to increase domestic energy output, reduce energy imports, and cut carbon emissions.

By 2040, 32GW of the planned 70GW floating capacity will be developed or in development in Europe followed by 15.4GW in Asia-Pacific, 11GW in the Americas and 7GW in China.

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



Other Offshore

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

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

We see a sustained upcycle in the offshore EPC (Engineering, Procurement and Construction) forecast through 2023 - 2028, with EPC spending expected to total \$91bn. This is a 21% increase compared to the preceding five-year period(5).

A concern in the energy markets is that the ongoing energy crisis will derail the energy transition, but data suggest that spending on green energy will still grow faster than on fossil fuels. Operators are committed to the transition. We see many of these

customers moving into the offshore renewable market and there is a significant presence of several large European oil and gas companies investing in floating offshore wind. The offshore fossil fuel and carbon reduction market will continue to provide a balanced portfolio and foundation for growth for Tekmar (6).

Operational review

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

The results for the year to 30 September 2023 should be seen in the context of this business transition. The results show an improved financial performance in FY23, with increased revenue and margin percentage supporting an improved position at the Adjusted EBITDA level. This highlights the operating leverage we have in our business and that our business improvement initiatives are impacting key metrics. We recognise there is continued work ahead on the path to securing a sustained level of profitability and related cash generation for the business. We are confident the business will deliver on this objective, and that the industry outlook supports this. The level of our enquiry book is a positive indicator of supportive market trends but it is taking time to see these enquiries convert to contract awards and contract starts.

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

Building a better quality pipeline and order book

Consistent with our profit improvement focus, we are focused on commercial discipline as we convert the enquiry book into firm orders. New contracts are being secured at more favourable gross margins at the outset and include more favourable cost escalation protection and milestone payments to de-risk the projects for Tekmar.

Our current order book of £12.7m as at 31 January 2024, reflects this disciplined approach, with a gross margin of 26%. We are seeing the effects of legacy contracts on margin diminishing in the order book, with 86% of the January 2024 order book value represented by better forecasted margins on live projects at a blended 30% margin. There is more we can do here but we are more in control of our business than we were two years ago.

Our pipeline and enquiry book is healthy and we are in discussions with developers and Tier 1 contractors on a number of significant projects. The main risk to delivering on our expectations for FY24 is the market environment where delays with decisions, extended negotiations and project starts continues to be a feature.

On the offshore wind side, we secured an important contract win with an established Tier 1 contractor announced in January 2024. This contract award positions us well for future phases of this project, as and when they come to fruition. We were also selected to deliver our flagship cable protection systems (CPS) for the 1 GW Hai Long Offshore Wind Farm, situated in Taiwan, highlighting our presence in APAC. We see APAC as a key near-term growth market for our offshore wind division.

Customer engagement.

With the strategic investment by SCF and related fundraise in the Ultimate Parent Company placing Tekmar on a stronger financial standing, there is encouraging alignment with our customers about the leadership role a stronger Tekmar can play in the industry - an industry which requires the delivery of larger projects requiring more complex engineering solutions that we are well set up to deliver. It is worth highlighting that SCF's diligence at the time they were appraising their investment highlighted the strength of Tekmar's standing in the industry and the scope to deepen and expand the services and technology we offer customers and partners. We have a significant opportunity ahead of us to grow with our customers and help them support energy transition and to manage the related risk of developing and managing major infrastructure projects.

As previously reported, we are continuing to support our industry partners to assess and address some issues relating to legacy Offshore Wind Systems installed at offshore wind farms. As we have previously highlighted, the precise cause of the issues are not clear and could be as a result of a number of factors, such as the absence of a second layer of rock to stabilise the cables. We remain committed to working with relevant installers and operators, including directly with customers who have highlighted any issues, to investigate the root cause and assist with identifying potential remedial solutions. Whilst this consumes company resource and senior management attention, it is consistent with our responsible approach to supporting the industry to resolve these legacy issues.

Strengthening the Business

We continue to look for opportunities to further strengthen the business through more efficient resource allocation.

Targeted investment and capex

We are also adopting a measured approach to capex and investment in the core business, aligning our resources to opportunities which provide the greatest near-term benefits. We expect capex for the current financial year to be in the region of £1m, with majority of that covered by investment in strategic initiatives including product development for our core Teklink cable protection system.

Market Environment

The current instability in offshore wind investment has been a theme that has been well trailed in the media. Looking beyond the media headlines, 2023 was actually a record year for offshore wind investment, with market analysts highlighting Final Investment Decisions (“FID”) on projects totalling 12.3 GW during the year globally (excluding China and cancelled projects). This followed only 0.8 GW of FID in 2022, the lowest level since 2012 and highlighting the volume constraints in the market. (Source: TGS – 4C Offshore, 3 January 2024).

The rebound in FID approval for 2023 is clearly a positive for Tekmar. With the lead-time typically 12-months between a project receiving FID approval and the contractors and suppliers being awarded contracts, this should support the return to volume growth for Tekmar over the next 12–18 months. The headline data does require some caution, however, given the prevailing environment for ongoing delays to project starts and contract awards post-FID and the residual risk of subsequent cancellations post-FID. Overall, we see the market moving in the right direction in 2024 with a more balanced approach to developers and contractors in managing project risk leading to incremental but sustained improvement in demand. Longer-term, we see demand for offshore wind remaining strong with fixed seabed foundations continuing as the dominant technology through until mid-2030’s.

Following a period of underinvestment, the Oil & Gas industry is entering a new capex cycle, with market conditions expected to remain supportive of an upturn in global spend over the medium term. Tekmar is well positioned to take advantage of this forecast growth.

Financial key performance indicators

	12m to Sep 23	12m to Sep 22	18m to Sep 21
Revenue	£15.1m	£12.3m	£23.8m
Gross profit	£2.6m	£1.1m	£2.5m
Gross margin	17%	9%	11%
Adjusted EBITDA	£(0.8)m	£(2.1)m	£(3.8)m
Adjusted EBITDA return	(5)%	(17)%	(16)%
(Loss) / Profit before tax	£(2.1)m	£(3.5)m	£(5.9)m

Adjusted EBITDA is calculated as Loss before tax (2.6m), adjusted for depreciation (£0.8m) amortisation (£0.3m), fx gains and losses (£0.6m) and one off bonus costs (£0.1m)

Section 172 Statement

The Directors consider that they have acted in good faith in the way they consider would be most likely to promote the success of the company for the benefit of its members as a whole, having regard to decisions taken during the year ended 30 September 2023, in particular the strategic growth plan which includes the continuing organic growth within Tekmar Energy accompanied by the accelerated growth from product development and expanding our regional reach

This strategy is designed to have a long-term beneficial impact on the Company for both its shareholders and employees. The detail supporting the Company's strategy is driven by the business plans within Tekmar Energy and its subsidiary companies.

Tekmar Energy's ultimate parent company is Tekmar Group plc which owns 100% of Tekmar Energy. Approximately 80% of the shares in Tekmar Group PLC are held by 15 institutional shareholders. To ensure the Board maintain a good understanding of their interests, and keep these shareholders informed regarding the strategy and objectives of the Group, the CEO and other directors communicate regularly and meet at least bi-annually. The Board recognises its responsibility to act fairly between all shareholders of the Company and ensures up-to-date information is available on the Group Investor website and has recently launched a new Group website (www.tekmargroup.com) which brings together the Group's portfolio of companies on to one site, promoting a greater understanding of the breadth of our product and service offering, which supports the global offshore wind, oil and gas, interconnectors, telecommunications, marine civils, and wave and tidal sectors.

Employees are fundamental to the delivery of the business plan. We regularly provide our people with information on matters of concern to them, consulting them regularly, so that their views can be factored in when making decisions that are likely to impact them. Employee involvement in the Company is encouraged, as achieving a shared awareness of the part that all employees play in the financial and economic factors affecting the Company plays a major role in its performance.

We have a Business Integrity Policy that communicates the expected business behaviours of all employees and this policy incorporates guidance on employee's responsibilities should they become aware of inappropriate business behaviours or any similar concern. The Company recognises its responsibility to employ disabled persons in suitable employment and gives full and fair consideration to such persons, including any current employee who becomes disabled, having regard to their aptitudes and abilities. Where practicable, disabled employees receive treatment equal to all other employees in respect of their eligibility for training, career development and promotion. As the Board of Directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance and in doing so, will contribute to the delivery of the plan.

Strategic report (continued)

Principal risks and uncertainties

Risk 1. Macroeconomic environment

Risk Type: Financial, Operational

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

Impact: The Company has experienced increased supply chain costs and general cost inflation. These Macroeconomic changes have the potential to reduce the financial resources available to the Company.

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

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

Risk 2. Systems and processes

Risk Type: Operational, Compliance

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

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

Mitigation: The Company predominantly outsources provision of IT services to a suitably qualified third-party, whose competence and service are regularly reviewed. Regular staff training is offered or mandated, depending upon the nature of the training, to ensure that all staff maintain awareness of their responsibilities with respects to IT security, with particular focus on cyber-security. The Company is currently undertaking the implementation of a new finance and business system which is scheduled to be implemented by June 2024.

Evaluation: Risk remain low due to continuous review and upgrade of systems as required.

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

Risk Type: Strategic, Finance

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

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

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

subsidiary and Company level. As noted in the basis of preparation of the financial statements, there is a risk that bank facilities are not renewed. The business has a strong relationship with Barclays and as a result, management are confident that bank facilities will continue to be available to the Company for the foreseeable future.

The Ultimate Parent Company's balance sheet was stabilised in April 2023 following the conclusion of the strategic review. New capital investment from SCF Partners and related parties of £4.3m alongside a placing and retail fund raise of £2.1m raised cash proceeds of £5.3m, net of expenses. In addition, SCF Partners have committed, with conditions an additional investment of £18.0m available through the convertible loan note facility. The strategic investment from a global institutional investor in the energy sector provides funding for the Company to follow an ambitious plan for growth, both organically and by acquisition.

Evaluation: Monitored by board

Risk 4. Project timings and delay to contract awards

Risk Type: Strategic, Finance

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

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

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

Evaluation: Monitored by board

Risk 5. Technology and competition

Risk Type, Strategic

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

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

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

Evaluation: Monitored by board

Risk 6. Recruitment and Retention of Key People

Risk Type: Operational, Compliance;

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

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

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

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

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

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

Evaluation: Monitored by board.

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

Risk Type: Strategic, Financial, Operational

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

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

Mitigation: Contracts are reviewed extensively prior to signing, and the likelihood of risks assessed by legal and technical teams. Uncapped liabilities are kept to a minimum and only agreed to for areas of the contract that Directors believe are very low risk. Where possible the Company insures against risks to minimise the potential financial impact. There is a strong focus across the Company on high quality project execution which is regularly reviewed under independent ISO certification where appropriate.

Evaluation: Monitored by board.

Risk 8. Financial management risks

Risk Type: Financial

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

Interest Rate Risk: The current economic position within the UK has led the Bank of England to increase the base interest rate. Current economic outlook suggests that borrowing rates are likely to remain at a higher level than seen in previous years in the short term. The recent increases in interest rates will lead to higher annual borrowing costs for the Company.

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

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

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

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

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

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

Evaluation: Increased risk due to economic environment, monitor.

This Strategic report was approved by order of the board

Leanne Wilkinson

L Wilkinson

Director

9 April 2024

Directors' report

The directors present their Directors' report and financial statements for the year ended 30 September 2023.

Proposed dividend

The directors do not recommend the payment of a dividend (2022: £nil).

Directors

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

A Macdonald
D Bulmer (Resigned 31 March 2023)
L Wilkinson
A Bell

Business review and future developments

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

Political contributions

The Company made no political donations or incurred any political expenditure during the year.

Disclosure of information to 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 company's auditor is aware of that information.

Research and development

The business continuously invests in research and development activity. The highlight during the financial year was the continued development of the 10th generation TekLink product with £169,000 of expenditure being incurred in the year. All of the development expenditure has been capitalised within intangible fixed assets.

Financial instruments

The directors have detailed the company's financial risk management objectives and policies in the strategic report. The business holds foreign currency forward contracts to manage exposure to contracts denominated in foreign currencies. As at 30 September 2023, the business held contracts with a value of £29,000 Liability (2022: £160,000 Liability).

Going concern

Tekmar Energy Limited meets its day-to-day working capital requirements through its reliance on the group for funding and as such has confirmation of parental support from Tekmar Group PLC. The group has available banking facilities which includes a CBI's loan of £3.0m currently available to 31 October 2024 and a trade loan facility of up to £4.0m that can be drawn against supplier payments, currently available to 31 July 2024. The latter is provided

Directors' report (continued)

with support from UKEF due to the nature of the business activities both in renewable energies and in driving growth through export lead opportunities.

The Group held £5.2m of cash at 30 September 2023 including draw down of the £3.0m CBILS loan and a further £3.6m of the trade loan facility. There are no financial covenants that the Group must adhere to in either of the bank facilities.

The Directors have prepared cash flow forecasts to 30 April 2025. The base case forecasts include assumptions for annual revenue growth supported by current order book, known tender pipeline, and by publicly available market predictions for the sector. The forecasts also assume a retention of the costs base of the business with increases of 5% on salaries and a cautious recovery of gross margin on contracts. These forecasts show that the Group is expected to have a sufficient level of financial resources available to continue to operate on the assumption that the two facilities described are renewed. Within the base case model management have not modelled anything in relation to the matter set out in note 24 Contingent Liabilities of the financial statements, as management have assessed there to be no present obligation.

The Directors have sensitised their base case forecasts for a severe but plausible downside impact. This sensitivity includes reducing revenue by 15% for the period to 30 April 2025, including the loss or delay of a certain level of contracts in the pipeline that form the base case forecast, and a 10% increase in costs across the Group as a whole for the same period. In addition the delays of specific cash receipts have been modelled. The base case and sensitised forecast also includes discretionary spend on capital outlay. The Directors note there is further discretionary spend within their control which could be cut, if necessary, although this has not been modelled in the sensitised case given the headroom already available. These sensitivities have been modelled to give the Directors comfort in adopting the going concern basis of preparation for these financial statements. Further to this, a 'reverse stress test' was performed to determine at what point there would be a break in the model, the reverse stress test included reducing order intake by 22.5% and increasing overheads by 15% against the base case. In addition the delays of specific cash receipts have been modelled. The inputs applied to the reverse stress are not considered plausible.

Facilities - Within the base case, severe but plausible case and reverse stress test, management have assumed the renewal of both the CBILS loan and trade loan facility in October 2024 and July 2024 respectively. In the unlikely case that the facilities are not renewed, the Group would aim to take a number of co-ordinated actions designed to avoid the cash deficit that would arise.

The Directors are confident, based upon the communications with the team at Barclays, the historical strong relationship and recent bank facility renewal in November 2023, that these facilities will be renewed and will be available for the foreseeable future. However, as the renewal of the two facilities in October 2024 and July 2024 are yet to be formally agreed and the Group's forecasts rely on their renewal, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

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

Tekmar Energy Limited
Annual report and financial statements
30 September 2023

Directors' report (continued)

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Grant Thornton UK LLP will therefore continue in office.

By order of the board

Leanne Wilkinson

L Wilkinson
Director
9 April 2024

Innovation House
Centurion Way
Darlington
DL3 0UP

Directors' responsibilities statement in respect of the annual report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 101 'Reduced Disclosure Framework').

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

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

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

Independent auditor's report to the members of Tekmar Energy Limited

Opinion

We have audited the financial statements of Tekmar Energy Limited (the 'company') for the year ended 30 September 2023, which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2023 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to Note 1.2 in the financial statements, which indicates that at the reporting date, the Company relies on the Group for funding. The Group meets its day-to-day working capital requirements through reliance on its available banking facilities which includes a COVID Business Interruption Loan (CBIL) of £3.0m, currently available to 31 October 2024 and a trade loan facility of up to £4.0m that can be drawn against supplier payments, currently available to 31 July 2024. The cash flow forecasts show that the Group is expected to have a sufficient level of financial resources available to continue to operate on the assumption that the two facilities described are renewed however, the renewal of both facilities is not guaranteed.

As stated in Note 1.2, these events or conditions, along with the other matters as set forth in Note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Our responsibilities

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

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

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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities in respect of the annual report and the financial statements set out on page 14, 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (United Kingdom Generally Accepted Accounting Practice and the Companies Act 2006) and UK corporate tax regulations.
- We obtained an understanding of the legal and regulatory frameworks applicable to the company and the industry in which it operates through our general and commercial and sector experience, discussions with management and legal correspondence. We also discussed the relevant frameworks with company legal advisors as appropriate.
- We obtained an understanding of how the company is complying with those legal and regulatory frameworks by making inquiries of management and of those responsible for legal and compliance procedures. We corroborated our inquiries through our review of board minutes.
- We assessed the susceptibility of the company's financial statements to material misstatement including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - Journal entries posted by senior finance personnel;
 - Journal entries above a set threshold which would reallocate costs within the statement of comprehensive income, to increase earning before interest, tax, depreciation and amortisation ('EBITDA');
 - Journal entries above a set threshold posted to revenue from an unexpected general ledger code;
 - Material post close journal entries; and
 - Transactions with related parties outside the normal course of business.
- Audit procedures performed by the engagement team included:
 - Evaluating the processes and controls established to address the risks related to irregularities and fraud;
 - Journal entry testing, in particular those journals determined to be in respect of our principal risk documented above; and
 - Challenging assumptions and judgements made by management in its significant accounting estimates.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulation is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team including consideration of the engagement team's:

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- understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the industry in which the company operates; and
 - understanding of the legal and regulatory requirements specific to the company.
- We had team communications in respect of potential non-compliance with laws and regulations and fraud including the potential for fraud in revenue recognition through manipulation of deferred income.

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

Use of our report

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

Grant Thornton UK LLP

Victoria McLoughlin
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
9 April 2024

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Profit and Loss Account and Other Comprehensive Income
for the year ending 30 September 2023

	Note	Year ending 30 Sep 2023 £'000	Year ending 30 Sep 2022 £'000
Turnover	2	15,127	12,333
Cost of sales		(12,526)	(11,189)
		<hr/>	<hr/>
Gross profit		2,601	1,144
Administrative expenses	3	(5,169)	(4,354)
		<hr/>	<hr/>
Operating (loss)		(2,568)	(3,210)
Interest receivable and similar income	6	3	-
Interest payable and similar expenses	7	(56)	(311)
		<hr/>	<hr/>
(Loss) before taxation		(2,621)	(3,521)
Tax on (loss)	8	560	(28)
		<hr/>	<hr/>
(Loss) for the financial year		(2,061)	(3,549)
		<hr/>	<hr/>
Other comprehensive income		-	-
		<hr/>	<hr/>
Total comprehensive income		(2,061)	(3,549)
		<hr/> <hr/>	<hr/> <hr/>

All results derive from continuing operations.

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Balance Sheet
at 30 September 2023

	Note	30 Sep 2023		30 Sep 2022	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	9		805		913
Tangible assets	10		2,699		1,677
Investments	11		200		200
			3,704		2,790
Current assets					
Stocks	12	1,390		1,712	
Debtors	13	14,333		11,434	
Cash at bank and in hand		1,323		2,733	
		17,046		15,879	
Creditors: amounts falling due within one year	14	(10,347)		(7,685)	
Provisions	17	(657)		-	
		6,042		8,194	
Net current assets			9,746		10,984
Total assets less current liabilities			9,746		10,984
Creditors: amounts falling due after more than one year	15		(763)		-
			8,983		10,984
Net assets			8,983		10,984
Capital and reserves					
Called up share capital	18	-		-	
Profit and loss account		8,983		10,984	
		8,983		10,984	
Shareholders' funds			8,983		10,984

These financial statements were approved by the Board of Directors on 9 April 2024 and were signed on its behalf by:

Leanne Wilkinson

L Wilkinson
Director

Company registered number: 06294325

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Statement of Changes in Equity

	Called up Share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 October 2021	-	14,545	14,545
Loss for the period	-	(3,549)	(3,549)
Total comprehensive income for the period	-	(3,549)	(3,549)
Share based payment expense	-	(12)	(12)
Total transactions with owners, recognised directly in equity	-	(12)	(12)
Balance at 30 September 2022	-	10,984	10,984
Balance at 1 October 2022	-	10,984	10,984
Loss for the period	-	(2,061)	(2,061)
Total comprehensive income for the period	-	(2,061)	(2,061)
Share based payment expense	-	60	60
Total transactions with owners, recognised directly in equity	-	60	60
Balance at 30 September 2023	-	8,983	8,983

Notes

(forming part of the financial statements)

1 Accounting policies

Tekmar Energy Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 06294325 and the registered address is Innovation House, Centurion Way, Darlington, DL3 0UP.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK adopted International Accounting Standards ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statement present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 400 of the Companies Act 2006, as a subsidiary undertaking of Tekmar Group plc.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Tekmar Group plc include equivalent disclosures the Company has taken the exemption under FRS101 available in respect of IFRS 2 – Share based payments, in respect of Group settled share based payments.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

Tekmar Energy Limited meets its day-to-day working capital requirements through its reliance on the group for funding and as such has confirmation of parental support from Tekmar Group PLC. The group has available banking facilities which includes a CBILs loan of £3.0m currently available to 31 October 2024 and a trade loan facility of up to £4.0m that can be drawn against supplier payments, currently available to 31 July 2024. The latter is provided with support from UKEF due to the nature of the business activities both in renewable energies and in driving growth through export lead opportunities.

The Group held £5.2m of cash at 30 September 2023 including draw down of the £3.0m CBILS loan and a further £3.6m of the trade loan facility. There are no financial covenants that the Group must adhere to in either of the bank facilities.

Notes (continued)

The Directors have prepared cash flow forecasts to 30 April 2025. The base case forecasts include assumptions for annual revenue growth supported by current order book, known tender pipeline, and by publicly available market predictions for the sector. The forecasts also assume a retention of the costs base of the business with increases of 5% on salaries and a cautious recovery of gross margin on contracts. These forecasts show that the Group is expected to have a sufficient level of financial resources available to continue to operate on the assumption that the two facilities described are renewed. Within the base case model management have not modelled anything in relation to the matter set out in note 24 of the financial statements, as management have assessed there to be no present obligation.

The Directors have sensitised their base case forecasts for a severe but plausible downside impact. This sensitivity includes reducing revenue by 15% for the period to 30 April 2025, including the loss or delay of a certain level of contracts in the pipeline that form the base case forecast, and a 10% increase in costs across the Group as a whole for the same period. In addition the delays of specific cash receipts have been modelled. The base case and sensitised forecast also includes discretionary spend on capital outlay. The Directors note there is further discretionary spend within their control which could be cut, if necessary, although this has not been modelled in the sensitised case given the headroom already available. These sensitivities have been modelled to give the Directors comfort in adopting the going concern basis of preparation for these financial statements. Further to this, a 'reverse stress test' was performed to determine at what point there would be a break in the model, the reverse stress test included reducing order intake by 22.5% and increasing overheads by 15% against the base case. In addition the delays of specific cash receipts have been modelled. The inputs applied to the reverse stress are not considered plausible.

Facilities - Within the base case, severe but plausible case and reverse stress test, management have assumed the renewal of both the CBILS loan and trade loan facility in October 2024 and July 2024 respectively. In the unlikely case that the facilities are not renewed, the Group would aim to take a number of co-ordinated actions designed to avoid the cash deficit that would arise.

The Directors are confident, based upon the communications with the team at Barclays, the historical strong relationship and recent bank facility renewal in November 2023, that these facilities will be renewed and will be available for the foreseeable future. However, as the renewal of the two facilities in October 2024 and July 2024 are yet to be formally agreed and the Group's forecasts rely on their renewal, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

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

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Notes *(continued)***1** **Accounting policies** *(continued)***1.4** **Financial instruments****(i)** **Recognition and initial measurement**

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

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

(ii) **Classification and subsequent measurement***Financial assets***(a)** **Classification**

On initial recognition, a financial asset is classified as measured at: amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions:

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

All financial assets not classified as measured at amortised cost are measured at FVTPL. This includes all derivative financial assets.

Cash and cash equivalents

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

(b) **Subsequent measurement and gains and losses**

Financial assets at FVTPL - these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

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

Notes (continued)**1 Accounting policies (continued)****Financial liabilities and equity**

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments. To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derivative financial instruments and hedging**Derivative financial instruments**

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(iv) Impairment

The company recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost, and contract assets (as defined in IFRS 15).

The company measures loss allowances at an amount equal to lifetime ECL, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Notes (continued)

1 Accounting policies (continued)

1.5 Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- Right of use assets life of lease – straight line
- Leasehold improvements life of lease – straight line
- Containers and racking 4 years – straight line
- Plant and machinery 6 years – reducing balance
- Production tooling 3 years – straight line
- Fixtures and Fittings 4 years – straight line
- Motor Vehicles 4 years – reducing balance
- Computer equipment 4 years – straight line

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

The company has applied IFRS 16 for this set of financial statements. At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities. The lease liability is initially measured at the present value of lease payments that were not paid at the commencement date, discounted using the company's incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest method. If there is a remeasurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded directly in profit or loss if the carrying amount of the right of use asset is zero. The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less or leases of low value assets. These lease payments are expensed on a straight-line basis over the lease term.

Notes (continued)**1 Accounting policies (continued)****1.6 Intangible assets***Research and development*

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials and direct labour. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Capitalised development costs 2-5 years
- Software 3 years

1.7 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle.

1.8 Impairment of non-financial assets excluding stocks and deferred tax assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

1.9 Employee benefits*Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Share based payments

The share-based payment charges presented in the accounts of Tekmar Energy Limited relate to a recharge of the relevant charges from Tekmar Group PLC in respects of the equity settled share-based payment plans. Details of these plans can be found in note 19.

Notes (continued)**1 Accounting policies (continued)****1.10 Turnover**

Revenue (in both the subsea and offshore wind markets) arises from the supply of subsea protection solutions and associated equipment, principally through fixed fee contracts. To determine whether to recognise revenue in line with IFRS 15, the company follows a 5-step process as follows:

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

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

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

i) Fixed-fee contracted supply of subsea protection systems

For the majority of revenue transactions, the company enters into individual contracts for the supply of subsea protection solutions, generally for a specific project in a particular geographic location. Each contract generally has one performance obligation, to supply subsea protection solutions. All contracts meet one or more of the criteria within step 5 for recognition over time, including the right to payment for the work completed, including profit, should the customer terminate. An assessment is made as to the most accurate method to estimate stage of completion which in the majority of performance obligations is on an inputs basis (costs incurred as a % of total forecast costs).

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

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

ii) Manufacture and distribution of ancillary products and equipment

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

Accounting for revenue is considered to be a key accounting judgement which is further explained in note 21.

Notes *(continued)***1 Accounting policies** *(continued)***1.11 Expenses***Interest receivable and Interest payable*

Interest payable and similar expenses include interest payable and finance leases recognised in profit or loss using the effective interest method.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

1.12 Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

1.13 Provisions and contingent liabilities

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

The Company has recognised provisions in the year ending 30 September 2023 is for onerous contracts. The company has assessed that the unavoidable costs of fulfilling the contract obligations exceed the economic benefits expected to be received from the contract. The provision relates to one contract which is expected to be completed in the year ending September 2024.

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

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

Notes (continued)

2 Turnover from contracts with customers

Disaggregation of revenue

In the following tables, revenue is disaggregated by primary geographical market and by the timing of revenue recognition.

	Year ending 30 Sep 2023 £000	Year ending 30 Sep 2022 £000
Primary geographical markets		
United Kingdom	5,725	3,875
Germany	1,133	1,230
Turkey	931	499
Greece	-	409
Europe – Other	473	1,639
USA	3,005	582
China	280	2,500
Japan	1,083	561
Philippines	1,028	534
Saudi Arabia	349	-
Middle East - Other	761	426
Rest of the world	360	78
	<hr/>	<hr/>
Total	15,128	12,333
	<hr/>	<hr/>
Timing of revenue recognition		
Revenue recognised over time	12,823	6,644
Revenue recognised at a point in time	2,305	5,689
	<hr/>	<hr/>
Total	15,128	12,333
	<hr/>	<hr/>

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Notes (continued)

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	Year ending 30 Sep 2023 £000	Year ending 30 Sep 2022 £000
Depreciation of owned tangible fixed assets	753	861
Amortisation of owned intangible fixed assets	277	247
Impact of foreign exchange differences	589	(85)
	<u> </u>	<u> </u>
Auditor's remuneration:		
	Year ending 30 Sep 2023 £000	12m ending 30 Sep 2022 £000
Audit of these financial statements	27	17

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Tekmar Group PLC.

4 Staff numbers and costs

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

	Number of employees	
	Year ending 30 Sep 2023	Year ending 30 Sep 2022
Directors	3	4
Sales	3	6
Administration	13	14
Technical	12	13
Production	36	36
	<u> </u>	<u> </u>
	67	74
	<u> </u>	<u> </u>

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Notes (continued)

4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	Year ending 30 Sep 2023 £000	Year ending 30 Sep 2022 £000
Wages and salaries	2,487	2,462
Social security costs	234	271
Contributions to defined contribution plans	114	119
Share based payments	66	(13)
	<u>2,901</u>	<u>2,839</u>

5 Directors' remuneration

	Year ending 30 Sep 2023 £000	Year ending 30 Sep 2022 £000
Directors' remuneration	180	140
Amounts receivable under long term incentive schemes	-	-
Company contributions to money purchase pension plans	16	7
	<u>196</u>	<u>147</u>

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director in the year was £180k (2022: £129k), and company pension contributions of 16k (2022:£79k) were made to a money purchase scheme on his behalf. One director was paid by the company and therefore the figures in the table above reflect their remuneration. The other directors are remunerated by other group entities and their total remuneration is £720k

	Number of directors	
	Year ending 30 Sep 2023	Year ending 30 Sep 2022
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	1	1
	<u>1</u>	<u>1</u>

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Notes (continued)

6 Interest receivable and similar income

	Year ending 30 Sep 2023 £000	Year ending 30 Sep 2022 £000
Bank Interest	3	-
	<u>3</u>	<u>-</u>
	<u>3</u>	<u>-</u>

7 Interest payable and similar expense

	Year ending 30 Sep 2023 £000	Year ending 30 Sep 2022 £000
Bank Interest	24	106
Lease interest	33	8
Net loss on financial instruments measured at FVTPL	-	197
	<u>56</u>	<u>311</u>
	<u>56</u>	<u>311</u>

8 Taxation

Recognised in the profit and loss account

	Year ending 30 Sep 2023 £000	Year ending 30 Sep 2022 £000
<i>Current tax</i>		
Current tax on income for the period	(620)	(108)
Adjustments in respect of prior periods	(32)	(59)
	<u>(652)</u>	<u>(167)</u>
Total current tax	(652)	(167)
<i>Deferred tax</i>		
Origination and reversal of timing differences	93	204
Effect of changes in tax rate	-	(9)
	<u>93</u>	<u>195</u>
Total deferred tax	93	195
Tax on (Loss)	<u>(560)</u>	<u>28</u>

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Notes *(continued)*

8 Taxation (continued)

Reconciliation of effective tax rate

	Year ending 30 Sep 2023 £000	Year ending 30 Sep 2022 £000
(Loss) for the year	(2,062)	(3,549)
Total tax (credit) / charge	(560)	28
	<u>(2,622)</u>	<u>(3,521)</u>
(Loss) excluding taxation	(2,622)	(3,521)
Tax using the UK corporation tax rate of 22% (2022: 19%)	(577)	(669)
Non-deductible expenses	121	(2)
Enhanced R&D expenditure credit	(246)	(212)
Effect of tax rate change	-	(8)
Fixed asset timing differences	(36)	14
Capitalised revenue expenditure	(37)	(45)
Deferred tax movements	-	204
Adjustment in respect of prior periods	(32)	(59)
Impact of unrecognised deferred tax assets	247	805
	<u>(560)</u>	<u>28</u>
Total tax charge / (credit)	(560)	28

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Notes (continued)

9 Intangible assets

	Product development £000	Computer Software £000	Total £000
Cost			
Balance at 1 October 2022	2,765	112	2,877
Additions	169	-	169
	<hr/>	<hr/>	<hr/>
Balance at 30 September 2023	2,934	112	3,047
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Amortisation and impairment			
Balance at 1 October 2022	1,863	101	1,964
Amortisation for the period	266	11	277
	<hr/>	<hr/>	<hr/>
Balance at 30 September 2023	2,129	112	2,242
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value			
At 30 September 2022	902	11	913
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 September 2023	806	-	806
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The amortisation charge is recognised in Administrative expenses in the profit and loss account.

The remaining amortisation periods for software and product development are 6 months to 55 months (2022: 6 months to 60 months).

Notes (continued)**10 Tangible assets**

	Leasehold improvements £000	Containers and racking £000	Plant and machinery £000	Production tooling £000	Motor vehicles £000	Fixtures and fittings £'000	Computer equipment £000	Right of use asset £000	Total £000
Cost									
Balance at 1 October 2022	906	1,195	2,759	2,794	11	27	409	1,054	9,158
Additions	21	2	45	518	-	2	19	1,189	1,793
Disposal		(919)	-	-	-	-	-	(1,119)	(2,038)
Balance at 30 September 2023	927	278	2,804	3,312	11	29	428	1,124	8,914
Depreciation and impairment									
Balance at 1 October 2022	904	1,142	1,598	2,484	11	17	369	956	7,478
Depreciation charge	-	33	167	252	-	7	24	270	753
Disposals		(901)						(1,119)	(2,020)
Balance at 30 September 2023	904	276	1,765	2,736	11	24	393	107	6,215
Net book value									
At 30 September 2023	2	53	1,161	576	-	11	40	98	2,699
At 30 September 2022	24	2	1,039	312	-	5	35	1,017	1,677

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Notes (continued)

11 Investments

	30 Sep 2023 £000	30 Sep 2022 £000
Cost		
At start of period	200	200
At end of period	<u>200</u>	<u>200</u>

The company has the following investments in subsidiaries:

	Aggregate of capital and reserves £000	Profit or loss for the year £000	Country of incorporati on	Class of shares held	Ownership 2023 %	Ownership 2022 %
Tekmar Marine Technology Company Limited	(223)	(342)	China	Ordinary shares	100	100
Tekmar Polyurethanes Limited	-	-	England and Wales	Ordinary shares	100	100

The registered office of Tekmar Polyurethanes Limited is Innovation House, Centurion Way, Darlington, DL3 0UP. The registered office of Tekmar Marine Technology Company Limited is Room 120, 4F, No. 1277 Beijing West Road, Jing'an District, Shanghai.

12 Stocks

	30 Sep 2023 £000	30 Sep 2022 £000
Raw materials	1,139	1,356
Work in progress	15	262
Finished goods	236	94
	<u>1,390</u>	<u>1,712</u>

During the year ended 30 September 2023 £10,009k of inventories were recognised in cost of sales (2022: £11,357k).

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Notes (continued)

13 Debtors

	30 Sep 2023 £000	30 Sep 2022 £000
Trade debtors	3,706	1,907
Amounts recoverable on contracts	2,330	1,360
Amounts owed by group undertakings	7,867	7,832
Other debtors	154	111
Deferred tax asset (see Note 18)	41	27
Prepayments	235	197
	<u>14,333</u>	<u>11,434</u>

All amounts are due within one year.

Amounts owed by group undertakings are repayable at the discretion the ultimate parent company, Tekmar group PLC based on available cashflows across the group. No interest is charged on amounts due to or from group undertakings.

14 Creditors: amounts falling due within one year

	30 Sep 2023 £000	30 Sep 2022 £000
Trade creditors	2,352	2,256
Amounts owed to group undertakings	5,668	3,403
Taxation and social security	81	83
Other creditors	24	30
Accruals and deferred income	1,910	1,540
IFRS 16 lease liability	283	18
Deferred tax liability (note 18)	-	195
Derivative liability	29	160
	<u>10,347</u>	<u>7,685</u>

Amounts owed to group undertakings are repayable at the discretion the ultimate parent company, Tekmar group PLC based on available cashflows across the group. No interest is charged on amounts due to group undertakings.

During the period the company made total cash payments of £184,000 (2022: £311,000) in relation to lease liabilities. The IBR rate applied was 6.00%

Notes (continued)**15 Creditors: amounts falling due within one year**

	30 Sep 2023 £000	30 Sep 2022 £000
IFRS 16 lease liability	763	-
	<u>763</u>	<u>-</u>

16 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	30 Sep 2023 £000	30 Sep 2022 £000
Creditors falling due after more than one year		
IFRS 16 lease liability	763	-
	<u>763</u>	<u>-</u>
Creditors falling due within less than one year		
IFRS 16 lease liability	283	18
	<u>283</u>	<u>18</u>

Terms and debt repayment schedule

	Currency	Nominal interest rate	Carrying amount 2023 £000	Carrying amount 2022 £000
IFRS 16 lease liability	GBP	6.00%	1,047	18
			<u>1,047</u>	<u>18</u>

Payments relating to the leases which form the IFRS 16 liability will be made until March 2028.

Notes (continued)

17 Provisions

All provisions are considered current. The carrying amounts and the movements in the provision account are as follows:

	Onerous contracts £000	Deferred tax £000	Total £000
Carrying amount at 1 October 2022	-	196	196
Additional provision	357	104	461
Amounts utilised	-	-	-
Reversals	-	-	-
Carrying amount at 30 September 2023	357	300	657

The provision recognised in the year ending 30 September 2023 is for onerous contracts. The company has assessed that the unavoidable costs of fulfilling the contract obligations exceed the economic benefits expected to be received from the contract. The provision relates to one contracts which is expected to be completed in the year ending September 2024.

18 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	30 Sep	30 Sep	30 Sep	30 Sep	30 Sep	30 Sep
	2023	2022	2023	2022	2023	2022
	£000	£000	£000	£000	£000	£000
Accelerated capital allowances	-	-	(300)	(196)	(300)	(196)
Other	41	27	-	-	41	27
Tax liabilities	41	27	(300)	(196)	(259)	(169)

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Movement in deferred tax during the year

	1 Oct 2022 £000	Recognised in income £000	Recognised in equity £000	30 Sep 2023 £000
Accelerated capital allowances	(196)	(104)	-	(300)
Other	27	17	-	41
	<u>(169)</u>	<u>(87)</u>	<u>-</u>	<u>(259)</u>

	1 Oct 2021 £000	Recognised in income £000	Recognised in equity £000	30 Sep 2022 £000
Accelerated capital allowances	(24)	(172)	-	(196)
Other	51	(24)	-	27
	<u>27</u>	<u>(196)</u>	<u>-</u>	<u>(169)</u>

19 Capital and reserves

Share capital

	2023 £	2022 £
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	46	46
	<u>46</u>	<u>46</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Dividends

No dividends were declared or paid during the period (2022: £nil).

Other comprehensive income

All other comprehensive income related to share based payment expenses and was reflected in the profit and loss account.

Notes (continued)**20 Employee Benefits***Share based payments*

The share-based payment charges presented in the accounts of Tekmar Energy Limited relate to a recharge of the relevant charges from Tekmar Group PLC in respects of the equity settled share-based payment plans discussed below.

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

As part of the admission to trading on AIM in June 2018, the Group granted a total of 1,750,000 share options to key executives. 250,000 of the share options granted relate to employees who are employed by Tekmar Energy Limited. All of the options granted are subject to service conditions, being continued employment with the Group until the end of the vesting period. The options include certain performance conditions which must be met, based upon earnings per share and total shareholder return targets for the financial year ending March 2020. The awards became exercisable on 20 June 2021 to the extent that the performance conditions have been satisfied.

The options were granted with an exercise price equal to the nominal value of the share (£0.01).

The Tekmar Group Share Incentive Plan ("SIP")

The SIP is an all-employee ownership plan under which eligible employees may be awarded free and/or matching shares. The SIP operates through a UK-resident trust (the "SIP Trust"). On 13 September 2018 Tekmar Group PLC issued 42,691 shares of £0.01 each, 39,907 shares relate to employees who are employed by Tekmar Energy Limited. The shares will be held in trust for a minimum holding period of 3 years and there is a forfeiture period of 3 years during which employees who participated in the SIP will lose their Award if they resign or are dismissed from their employment.

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

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

The Tekmar Group plc Retention Plan ("Retention")

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

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

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

Tekmar Energy Limited has recognised an expense of (£65k) in respect of equity settle share based payment transactions in the period ended 30 September 2023 (2022: £13k), which has been included in staff costs. No options were exercised during the period.

The equity settled share-based payment is a recharge from Tekmar Group PLC to the subsidiary company. As the recharge is directly linked to the share based payment, the corresponding entry to the expense recognised is an adjustment to the capital contribution reserve.

Notes *(continued)***21 Related Party transactions**

Ryder Geotechnical Limited provides engineering consultancy services for the Tekmar Energy Limited. Ryder Geotechnical Limited is a company within the same ultimate parent company as Tekmar Energy limited. Costs relating to this service during the period were £86,726 (2022: £142,000).

At the year end, Tekmar Energy limited held outstanding balances owed by Ryder geotechnical limited of £55,320 (2022: £9,462).

22 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Tekmar Holdings Limited. Tekmar Group PLC is the ultimate parent company incorporated in England. The directors consider there to be no ultimate controlling party following admission to AIM of Tekmar Group PLC in June 2018.

The largest group in which the results of the Company are consolidated is that headed by Tekmar Group PLC, Innovation House, Centurion Way, Darlington, United Kingdom, DL3 0UP. The consolidated financial statements of these groups are available to the public and may be obtained from Tekmar Group PLC, Innovation House, Centurion Way, Darlington, DL3 0UP.

Notes *(continued)***23 Accounting estimates and judgements**

The preparation of the financial statements under FRS101 requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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

Recognition of Revenue

The recognition of revenue on contracts requires judgement and estimates on the overall contract margin. This judgement is based on contract value, historical experience and forecasts of future outcomes. Judgement is applied in determining the most appropriate method to apply in respect of recognising revenue over-time as the service is performed using either the input or output methods.

For the large, offshore wind projects in the Tekmar Energy business which were not complete at year end, and require the most judgment, if the percentage completion was 1% different to management's estimate the revenue impact would be £123,926. However, the likelihood of this is small, as the percentage completion is based upon items that are physically counted at year end.

Intangible Assets

The recognition of intangible assets requires judgements for the capitalisation of staff costs. In line with IAS 38 expenditure on research activities is recognised in the profit and loss account as an expense as incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses. Senior management personnel with current industry knowledge apply judgement to ensure compliance with IAS38.

Notes (continued)**24 Contingent Liabilities**

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

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

Tekmar have been presented with defect notifications for 10 legacy projects on which it has supplied cable protection systems ("CPS"). These defect notifications have only been received on projects where there was an absence of the second layer of rock traditionally used to stabilise the cables.

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

Management acknowledges that there are many complexities with regards to the alleged defects which could lead to a range of possible outcomes. Given the range of possible outcomes, management considers that a possible obligation exists which will only be confirmed by further technical investigation to identify the root cause of alleged CPS failures. As such management has disclosed a contingent liability in the financial statements.

Tekmar has received a further 2 defect notifications in relation to alleged defects with the loosening of VBR fasteners. The precise cause of the issues are not clear and could be as a result of a number of factors, such as the incorrect placing of rock bag shielding and restraint. Tekmar is committed to working with relevant customers, to investigate further the root cause and assist with identifying potential remedial solutions. This is being done without prejudice and on the basis that Tekmar has denied any responsibility for these issues. However, given these extensive uncertainties and level of variabilities at this early stage of investigations no conclusions can yet be made.

At this stage management do not consider that there is a present obligation arising under IAS37 as insufficient evidence is available to identify the overall root cause of the damage to any of the CPS. Independent technical experts have been engaged to determine the root cause of the damage to the CPS and upon completion of these technical assessments, Tekmar will review the assessment as to whether a present obligation exists. Given the range of possible outcomes, management considers that a possible obligation exists which will only be confirmed by further technical investigation to identify the root cause of alleged CPS failures. As such management has disclosed a contingent liability in the financial statements.

Management acknowledges that there are many complexities with regards to the alleged defects which could lead to a range of possible outcomes. Given the range of possible outcomes, management considers that determining whether a possible obligation exists, can only be confirmed by further technical investigation to identify the root cause of alleged CPS failures. As such management has disclosed a contingent liability in the financial statements.

Tekmar has received a further defect notification in relation to incorrect coating specification on 1 historic project. This defect notification is in relation to units which had not yet been installed and have been recoated post year end

at no cost to Tekmar. There are a number of units which have been installed in relation to the same legacy project which may have the incorrect coating specification. At this stage management do not consider that there is a present obligation arising under IAS37 as insufficient evidence is available to identify whether any unresolved defects exist. Given the range of possible outcomes, management considers that determining whether a possible obligation exists, can only be confirmed by further technical investigation to identify any further units which have may not have been coated to the correct specification. As such management has disclosed a contingent liability in the financial statements.

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

A bank cross guarantee exists incorporating a fixed and floating charge over all current and future assets of the group. The group has guaranteed the overdraft of all fellow group companies. The amount outstanding at the period end was £nil (2022: £nil).

An unlimited guarantee has been given by the company to Barclays Bank Plc.