4 December 2018

TEKMAR GROUP PLC
("Tekmar Group", the "Group" or the "Company")

HALF YEAR RESULTS

Tekmar Group (AIM: TGP), a market-leading technology provider of protection systems for subsea cable, umbilical and flexible pipes and offshore engineering services, announces its half year results for the six months ended 30 September 2018 (HY19).

Key points:

- Successful Initial Public Offering ("IPO") in June 2018, delivering a strong balance sheet
- Record order book of £12.9m at half year end with Tekmar Energy Limited ("Tekmar Energy") securing 100% market share of all cable protection systems into European offshore wind projects awarded during the period
- Currently in final negotiations on larger higher margin contracts worth £18.1m, on which Tekmar Energy is the sole bidder ("Preferred Bidder")
- Short term delay in award of Preferred Bidder contracts and revenue recognition from H1 to H2 19 or H1 20 due to delays in customer procurement decisions
- Product margins (1), strong market share and enquiry conversion targets maintained
- Subsea Innovation Ltd ("Subsea Innovation"), acquired in September 2018, delivered a solid performance in HY19
- Industry confidence high with market analysts upgrading forecasts for global offshore wind generation to 112GW by 2027
- Long-term framework agreements for offshore wind projects secured by Tekmar Energy with Boskalis and Ørsted
- AgileTek Engineering ("AgileTek") increased external sales by 165%, compared with FY18

Financial overview:

	HY19	HY18
• Revenue	£7.1m	£11.4m
• Adjusted EBITDA (2)	(£0.8m)	£2.8m
• Cash Reserves	£7.6m	Net debt £37.4m
• Market Visibility (3)	£38.1m	£23.2m

Sales KPIs

	As at 30.09.18	As at 30.09.17
• Order Book (4)	£12.9m	£8.9m
• Preferred Bidder (5)	£18.1m	£2.9m
• Enquiry (6)	£170m	£127m
• LTM (7) sales conversion	50%	25%

Outlook

- Short-term delay in Preferred Bidder contract awards and change in product mix expected to impact FY19 results with profit now likely to be closer to that achieved in FY18
- Anticipated return to forecast and profitability in FY20
- The Board remains confident in future growth and ongoing strategy

Alastair MacDonald, Non-executive Chairman of Tekmar Group, said:

“We were delighted with the success of the IPO in June 2018 and in many ways, the business has never been in a better position. We have extremely strong forward market visibility; Tekmar Energy is maintaining its unrivalled market share in our core market, Offshore Wind, having won every European array project awarded during the period; and Subsea Innovation, our first acquisition since IPO, delivered a solid performance.

“Contracting activity has increased during the period and the Group has a record Order Book of £12.9m. There has however, been a delay in the award of higher margin TekLink® offshore wind contracts, on which we have Preferred Bidder status. Our customers have changed lead times from order placement to delivery by up to six months, deferring the signing of contracts by a similar period. We have also experienced increased volume in smaller, lower margin, contracts in HY19. Within the period, approximately 38% of sales were from TekLink® Cable Protection Systems and 62% from other products, which have a lower gross margin. As a consequence, the Group is expecting to generate record revenues in FY19, ahead of current market expectations. However, due to the change in margin relating to product mix, the Board now expects profit for FY19 to be closer to that achieved in FY18. It is important to note that this impact on FY19 profit is purely a timing issue, which will be partially mitigated by profits generated by newly acquired Subsea Innovation.

“Given product margins have been maintained, our strong pipeline and market visibility, the Board is confident that the Group will return to forecast margin and profitability in FY20 and looks to the future with confidence.”

(1) Product margins remain on target and were maintained throughout the period. Overall margin was impacted by the mix of product sales, with a higher volume of revenue from lower margin products.
(2) Adjusted EBITDA is defined as profit before finance costs, tax, depreciation, amortisation, share based payments charge, and exceptional items is a non-GAAP metric used by management and is not an IFRS disclosure.
(3) Market Visibility is defined as: Revenue + Order Book + Preferred Bidder.
(4) Signed contracts with clients. Expected revenue recognition within 6 months.
(5) Preferred bidder defined as: out of competitive tender process, selected as sole bidder in active contract negotiations. Expected revenue recognition within 12 months.
(6) All active lines of enquiry within the Tekmar Group. Expected revenue recognition within 3 years.
(7) Last Twelve Months conversion rate; Total Enquiry (Bid) to Win ratio.

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About Tekmar Group plc - https://investors.tekmar.co.uk/

Tekmar Group plc's vision is to become the partner of choice for the supply and installation support of subsea protection equipment to the global offshore energy markets. The Group has three primary operating companies; these are Tekmar Energy Limited, AgileTek Engineering Limited and Subsea Innovation Limited.

Tekmar Energy is a global market leader in subsea cable, umbilical and flexible pipe protection systems. Tekmar have been trusted to protect billions of Euros worth of assets in the offshore wind, oil & gas, wave, tidal and interconnector markets since 1985: https://www.tekmar.co.uk/

AgileTek Engineering is an award-winning subsea engineering consultancy. AgileTek de-risks offshore projects through advanced computer simulation and analysis: https://agiletek.co.uk/

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

Tekmar Energy and Tekmar Group plc are headquartered in Newton Aycliffe in the United Kingdom; AgileTek operates from an office in London; Subsea Innovation have their head office and manufacturing centre in Darlington, United Kingdom. Tekmar Group plc also has representation in South Korea, USA, China and the Middle East.

CHIEF EXECUTIVE'S REVIEW

Markets

Despite the short-term delays to larger contract awards, the consensus on our core markets for the medium to long term remains very positive. Offshore wind power generation continues to grow globally, helped by the recent improvement in cost competitiveness for the implementation of the technology. Some European projects are now tendering without need for government subsidy and analysts predict an upgraded forecast to an CAGR of 20% for gigawatts installed over the coming 10-years globally (8). Further, the UK recently committed to a 30GW 2030 target, which is a circa four-fold increase from the installed capacity today.

Oil and Gas enquiry levels have increased dramatically and, with oil forecasted to remain around $66/bbl (9), which is above the assumed inflection point for most offshore project consenting of $50/bbl, prospects for continued growth in this sector continue to be good (10).

Group wide LTM conversion rate for total bid to win ratio has improved from 25% in HY18 to 50% in HY19. With a total enquiry pipeline of £170m, we seek to continue this run rate and target the conversion of at least 50%, providing a solid platform for future growth. The Group expects sector revenue for FY19 of circa 67% Offshore Wind, 30% Oil and Gas, 3% Engineering.

Financial P&L

HY19 revenue was impacted by timing of contract awards. Strong order book and Preferred Bidder status on pipeline supports a significant improvement to results in H2 19.

HY19 gross profit was diluted by the project mix with larger volume of smaller value contracts being awarded.

Operating expenses have increased, as a result of additional Plc overheads (£254k), exceptional one-off costs mainly IPO related (£247k), SIL acquisition (£109k) and additional resource in AEL (£73k).

Net finance costs included the final interest payments on the long-term borrowings pre-IPO (£939k). Ongoing finance costs relate to bank facilities only (comprising BGI and current accounts).

Tekmar Energy

Over the last 12 months, the business has secured five major offshore wind projects in Europe, resulting in a 100% market share for contract awards for the Company's core patented technology (TekLink® cable protection system) within Europe for inter array cable protection.

Forecast revenues for FY19 reflect the project weighting being back end loaded, with the majority of works likely to be recognised in Q4, prior to the 2019 summer offshore campaigns. Despite this delay, sufficient pre-engineering and planning has taken place to underpin our targets for offshore wind revenue and in line with anticipated margins.

During the period, we secured strategic cooperation and framework agreements with Ørsted and Boskalis to provide stronger long-term collaborative working relationships and improved future order book security. Ørsted and Boskalis are the European market leaders in their respective fields of Project Development and Offshore Wind Submarine Cable Installation and both have long standing relationships with Tekmar Energy.

Promoting our commitment to quality and safety, Tekmar Energy was one of the first companies in the UK to be accredited with ISO 45001:2018 for Occupational Health & Safety Management from DNV-GL and was recertified at the same time with our ISO certificates for Quality, Project, Environmental and Project Management systems.

The Chinese offshore wind market is forecast to grow from 3GW in 2018 to 100GW by 2030 (11). In a strategic move, Tekmar Energy officially opened its first dedicated overseas office in Shanghai, following the award of several key contracts in the APAC offshore wind farm market for a purpose-built cable protection system. We now have two native speakers in the region and the China office will act as a hub, supporting all Group sales in the APAC region. New products for the Chinese market are under review. The Group also has new products in development for all global markets.

Oil and Gas revenue is expected to increase from levels achieved in FY18. We remain confident in the future of this business, given the increase in enquiry levels which rose by 54% on the prior year's figures. Our focus is now on increasing our market presence in high growth markets such as the Middle East, where we have recently secured our first in-Kingdom project in Saudi Arabia.

AgileTek

AgileTek continues to play a key role in differentiating our customer offering, enabling the Group to deliver advanced simulations to verify the performance of the products sold. In particular, AgileTek supported Tekmar Energy in securing its preferred bidder status with major developers.

We are making significant progress with the development of new innovative software tools to support cost reduction in offshore engineering and with the implementation of digitalisation by transitioning services to the cloud.

AgileTek increased external sales by 165%, compared with FY18, and added seven new clients in the period. Staff count increased from eight to 14 in 2018, preparing the business for future growth.

Subsea Innovation and Acquisitions

During September, with the backing of shareholders, we successfully completed the acquisition of Subsea Innovation, our first M&A transaction as a quoted company. Tekmar Group's products protect critical subsea infrastructure and, with this acquisition, we have added a large catalogue of technology and engineering capability. This includes access to backdeck technology, such as large equipment handling systems which operate on the back of installation vessels, but also pipeline repair clamps, which protect major oil and gas pipelines, and equipment for the construction of offshore oil and gas projects.

Subsea Innovation has, in recent months, been successful in winning several major contracts from three major EPC repeat customers for its backdeck equipment design, specialist subsea sealing solutions and emergency pipeline repair clamps.

Key to our M&A strategy is the ability to transfer and cross pollenate skills within the businesses and leverage the customer base between each operating company. Following the acquisition of Subsea Innovation, our strategy is to develop new product offerings across Group, whilst also introducing it into the offshore wind sector via Tekmar Energy's existing clients.

The Group is on target to complete another acquisition in FY19, to expand our technologies further in-line with our vision to become the partner of choice for the supply and installation support of subsea protection equipment to the global offshore energy markets.

Outlook

Although the award of the higher-margin TekLink® Preferred Bidder contracts has been delayed into H2 19, the Group has continued to maintain its product margins and its unrivalled market share. The award of these contracts in H2 19, combined with a solid performance from our recent acquisition Subsea Innovation, is anticipated to yield record revenues for the Group in FY19. However, the short term change in product mix is likely to affect the Group's overall margin in FY19, impacting the Group's profit, which is now expected to be similar to that achieved in FY18.

We continue to review opportunities for cost synergies across the Group. This includes the possible consolidation of our existing and newly acquired Subsea Innovation facilities in the North East of England, following the purchase of commercial property and land as part of the Subsea Innovation acquisition; subject to grant and planning approval.

Looking further ahead, we have ongoing plans to diversify the business through our M&A strategy and product innovation to offset a level of timing risk in future years and, given our strong Preferred Bidder list and order pipeline, we are confident that we will return to our expected Group margins and target profitability in FY20.

Our confidence in our business plan must not be underestimated. The strong business pipeline and market visibility, the forecast increase in global offshore wind deployment and progress on key initiatives provide a solid platform for future growth.

We will continue our efforts to maintain market share and margins, increase revenue opportunities per project, add new technology, gain access to new emerging markets and diversify revenue streams via strategic acquisition, to create long term shareholder value.

(8) Data from Westwood global Energy Group and Offshore Wind Industry Prospectus by OWIC October 2018
(9) Data compiled from 30 industry commentators in October 2018
(10) Subsea tree orders (a key metric for future demand) doubled at the end of 2017 from that of 2016 and analysts predict increasing demand.
(11) Data from UK Offshore Renewable Energy Catapult "Offshore Wind Industry Prospectus", October 2018

James Ritchie
Chief Executive Officer

Consolidated Statement of Comprehensive Income

	Note	**Half year ended 30 September 2018**	Half year ended 30 September 2017	Year ended 31 March 2018
		£'000	£'000	£'000
Revenue	4	**7,121**	11,444	21,891
Cost of sales		**(5,488)**	(6,726)	(12,962)
Gross profit		**1,633**	4,718	8,929
Operating expenses		**(3,252)**	(2,557)	(5,177)
Other operating income		**12**	24	56
Group operating (loss)/profit		**(1,607)**	2,185	3,808
Analysed as:				
Adjusted EBITDA[1]		**(763)**	2,805	4,947
Depreciation		**(236)**	(330)	(563)
Amortisation	9	**(175)**	(266)	(453)
Share based payments charge	8	**(186)**	-	-
Exceptional items		**(247)**	(24)	(123)
Group operating (loss)/profit		**(1,607)**	2,185	3,808
Finance costs		**(1,006)**	(2,171)	(4,192)
Finance income		**1**	1	4
Net finance costs	5	**(1,005)**	(2,170)	(4,188)
(Loss)/ profit before taxation		**(2,612)**	15	(380)
Taxation	7	**161**	(103)	270
Loss for the period and total comprehensive expense		**(2,451)**	(88)	(110)
Attributable to owners of the parent		**(2,451)**	(55)	(59)
Attributable to the non-controlling interest		**-**	(33)	(51)
		(2,451)	(88)	(110)
Loss per share (pence)				
Basic	6	**(2.04)**	(0.04)	(0.05)
Diluted	6	**(2.04)**	(0.04)	(0.05)

There are no items of Other Comprehensive Income

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

All results derive from continuing operations.

Consolidated Balance Sheet

	Note	**Half year ended 30 September 2018**	Half year ended 30 September 2017	Year ended 31 March 2018
		£'000	£'000	£'000
Non-current assets				
Property, plant and equipment		**3,681**	1,441	1,401
Goodwill and other intangibles	9	**21,575**	20,112	20,005
Deferred tax asset		**211**	102	177
Total non-current assets		**25,467**	21,655	21,583
Current assets				
Inventory		**1,741**	1,066	1,842
Trade and other receivables		**6,958**	10,411	8,756
Cash and cash equivalents		**7,605**	1,015	2,617
Total current assets		**16,304**	12,492	13,215
Total assets		**41,771**	34,147	34,798
Equity and liabilities				
Share capital		**507**	-	-
Share premium		**65,093**	-	-
Consolidation reserve		**(12,685)**	3,020	3,020
Retained losses		**(14,989)**	(12,700)	(12,704)
Attributable to owners of the parent		**37,926**	(9,680)	(9,684)
Non-controlling interest		**-**	(116)	(134)
Total equity/ (deficit)		**37,926**	(9,796)	(9,818)
Non-current liabilities				
Borrowings		**-**	31,988	32,521
Trade and other payables		**1,000**	5,430	5,430
Total non-current liabilities		**1,000**	37,418	37,951
Current liabilities				
Trade and other payables		**2,711**	6,375	6,665
Provisions		**134**	150	-
Total current liabilities		**2,845**	6,525	6,665
Total liabilities		**3,845**	43,943	44,616
Total equity and liabilities		**41,771**	34,147	34,798

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Consolidation reserve	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2017	-	-	3,020	(12,645)	(9,625)	(83)	(9,708)
Loss for the period	-	-	-	(55)	(55)	(33)	(88)
Total comprehensive expense for the period	-	-	-	(55)	(55)	(33)	(88)
Balance at 30 September 2017	-	-	3,020	(12,700)	(9,680)	(116)	(9,796)
Loss for the period	-	-	-	(4)	(4)	(18)	(22)
Total comprehensive expense for the period	-	-	-	(4)	(4)	(18)	(22)
Balance at 31 March 2018	-	-	3,020	(12,704)	(9,684)	(134)	(9,818)
Loss for the period	-	-	-	(2,451)	(2,451)	-	(2,451)
Total comprehensive expense for the period	-	-	-	(2,451)	(2,451)	-	(2,451)
Group reorganisation	-	-	(15,705)	-	(15,705)	134	(15,571)
Issue of shares on IPO	500	64,500	-	-	65,000	-	65,000
Expenses of the IPO	-	(400)	-	-	(400)	-	(400)
Issue of shares post IPO	7	993	-	-	1,000	-	1,000
Share based payments	-	-	-	166	166	-	166
Total transactions with owners, recognised directly in equity	507	65,093	(15,705)	166	50,061	134	50,195
Balance at 30 September 2018	**507**	**65,093**	**(12,685)**	**(14,989)**	**37,926**	**-**	**37,926**

Consolidated Cash Flow Statement

	Half year ended 30 September 2018	Half year ended 30 September 2017	Year ended 31 March 2018
			£'000
Cash flows from operating activities			
(Loss)/profit before taxation	**(2,612)**	15	(380)
Adjustments for:			
Depreciation	**236**	330	563
Amortisation of intangible assets	**175**	266	453
Share based payments charge	**186**	-	-
Other operating income	**-**	-	(54)
Finance costs	**1,006**	2,171	4,192
Finance income	**(1)**	(1)	(4)
	(1,010)	2,781	4,770
Changes in working capital:			
Decrease/(increase) in inventories	**349**	171	(605)
Decrease/(increase) in trade and other receivables	**2,112**	(1,973)	(40)
(Decrease)/increase in trade and other payables	**(2,607)**	538	2,318
Increase/(decrease) in provisions	**3**	(150)	(300)
Cash (used in)/generated from operations	**(1,153)**	1,367	6,143
Tax recovered/(paid)	**134**	201	(250)
Net cash (outflow)/inflow from operating activities	**(1,019)**	1,568	5,893
Cash flows from investing activities			
Purchase of property, plant and equipment	**(176)**	(98)	(248)
Purchase of intangible assets	**(266)**	-	(124)
Proceeds on sale of property, plant and equipment	**-**	-	1
Acquisition of subsidiary net of cash acquired	**(181)**	-	-
Interest received	**1**	1	4
Net cash outflow from investing activities	**(622)**	(97)	(367)
Cash flows from financing activities			
Repayment of borrowings	**(33,058)**	(1,750)	(2,250)
Repayment relating to acquisition	**(1,771)**	-	-
Proceeds from issues of shares	**49,429**	-	-
Expenses of the IPO	**(400)**	-	-
Interest paid	**(7,571)**	(241)	(2,194)
Net cash inflow/(outflow) from financing activities	**6,629**	(1,991)	(4,444)
Net increase/(decrease) in cash and cash equivalents	**4,988**	(520)	1,082
Cash and cash equivalents at beginning of period	**2,617**	1,535	1,535
Cash and cash equivalents at end of period	**7,605**	1,015	2,617

Consolidated Cash Flow Statement

Analysis of changes in net debt

	As at 1 April 2018	Cash flows	Capitalisation of interest	As at 30 September 2018
	£'000	£'000	£'000	£'000
Cash	2,617	4,988	-	7,605
Accrued interest	7,168	(7,571)	403	-
Borrowings	32,521	(33,058)	537	-

	As at 1 October 2017	Cash flows	Capitalisation of interest	As at 31 March 2018
	£'000	£'000	£'000	£'000
Cash	1,015	1,602	-	2,617
Accrued interest	6,428	-	740	7,168
Borrowings	31,988	(500)	1,033	32,521

	As at 1 April 2017	Cash flows	Capitalisation of interest	As at 30 September 2017
	£'000	£'000	£'000	£'000
Cash	1,535	(520)	-	1,015
Accrued interest	5,586	-	842	6,428
Borrowings	32,773	(1,750)	965	31,988

Notes to the Condensed consolidated interim financial information

1. GENERAL INFORMATION

Tekmar Group plc (the "Company") is a public limited company incorporated and domiciled in England and Wales. The registered office of the Company is Unit 1, Park 2000, Millennium Way, Aycliffe Business Park, Newton Aycliffe, County Durham, DL5 6AR. The registered company number is **11383143**.

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

This condensed interim financial statements ("interim financial statements") has not been audited or reviewed by the Company's auditor.

Initial public offering ("IPO")

The Company's shares were admitted to trading on AIM, a market operated by the London Stock Exchange, on 20 June 2018. These interim financial statements are the Company's first, subsequent to its admission to AIM, and followed a group reorganisation to facilitate the IPO. The interim financial statements were approved and authorised for issue by a duly appointed and authorised committee of the Board of Directors on 20 November 2018.

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

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

Group reorganisation

The principal steps of the group reorganisation were as follows:

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

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

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

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

The Company issued 50,000,000 shares of £0.01 each on Admission to AIM 20 June 2018, for consideration of £500,000 with the balance recorded as share premium. IPO costs of £400,000 have been charged to the share premium account.

Forward looking statements

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

2. ACCOUNTING POLICIES

(a) Basis of preparation

The interim financial statements for the six months ended 30 September 2018 has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". It should be read in conjunction with the Historical Financial Information for the three years ended 31 March 2018 within the Company’s Admission Document and which was prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ('IFRS'), International Financial Reporting Standards Interpretation Committee ('IFRS IC') interpretations and those provisions of the Companies Act 2006 applicable to companies reporting under IFRS. The interim financial statements have been prepared on the going concern basis and on the historical cost convention modified for the revaluation of certain financial instruments.

These interim financial statements do not constitute the Group's statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparatives for the full year ended 31 March 2018 are not the Company's full statutory accounts for that year. They have been extracted from the Historical Financial Information within the Company’s Admission Document adjusted in line with Note 1 above.

(b) Going concern

The Group meets its day-to-day working capital requirements through its available banking facilities. The Directors have prepared cash flow forecasts and projections for the periods ending 31 March 2020. Taking account of reasonably foreseeable changes in trading performance, these forecasts and projections show that the Group is expected to have a sufficient level of financial resources available through current and future facilities. Furthermore, the Directors have assessed the future funding requirements of the Group and compared them with the level of available borrowing facilities. Based on this work, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the interim financial statements.

(c) New standards, amendments and interpretations

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

- IFRS 16 – Leases (effective 1 January 2019)

The Group has a number of leases in place, principally property leases. These leases will need to be assessed individually against the requirements of IFRS 16 before the impact of the standard can be quantified. There are other standards in issue which are not expected to have an impact on the Group and therefore have not been included in the list above.

Judgements made by the Directors in the application of these accounting policies that have a significant effect on the interim financial statements together with estimates with a significant risk of material adjustment in the next year are discussed in note 3 to the interim financial statements.

(d) Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are deconsolidated from the date control ceases.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated.

(e) Revenue

Revenue arises mainly from the manufacture and assembly of cable protection systems, principally through fixed fee contracts. To determine whether to recognise revenue, the Group follows a 5-step process as follows:

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

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

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

i) Fixed-fee contracted manufacture and assembly of cable protection systems

For the significant majority of revenue transactions, the Group enters into individual signed, written contracts for the manufacture and assembly of cable protection systems generally for a specific project in a particular geographic location. This is considered to be the only performance obligation and the transaction price which is specified in the contract is allocated entirely to this single performance obligation.

Revenue is recognised over time as the Group satisfies the performance obligation by transferring the promised services to the customer. This tends to be based upon the stage of completion using the output method with reference to the number of units assembled at each month end compared to the total number of units to be assembled under the whole contract.

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

ii) Manufacture and distribution of ancillary products and equipment

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

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

(f) EBITDA and Adjusted EBITDA

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

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

(g) Exceptional costs

The Group presents as exceptional costs on the face of the income statement, those significant items of expense, which, because of their size, nature and infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the period, so as to facilitate comparison with prior periods and assess trends in financial performance more readily. Such costs include private-equity management fees that will not recur post Admission, together with deal related costs (principally professional fees).

(h) Foreign currency

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

(i) Classification of instruments issued by the Group

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

- they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

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

(j) Property, plant and equipment

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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

Leased assets

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

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

Depreciation

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

Freehold property	50 years straight line
Leasehold improvements	Over period of lease
Containers and racking	4 years straight line
Plant and equipment	6 years reducing balance
Production tooling	3 years straight line
Motor vehicles	4 years reducing balance
Computer equipment	4 years straight line

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

(k) Intangible assets

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Identifiable intangibles are those which can be sold separately or which arise from legal or contractual rights regardless of whether those rights are separable, and are initially recognised at fair value.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Research and Product Development costs

Research costs are charged to the income statement in the year in which they are incurred and are presented within operating expenses. Internal development costs that are incurred during the development of significant and separately identifiable new technology are capitalised when the following criteria are met:

- It is technically feasible to complete the technological development so that it will be available for use;
- Management intends to complete the technological development and use or sell it;
- It can be demonstrated how the technological development will develop probable future economic benefits;
- Adequate technical, financial, and other resources to complete the development and to use or sell the product are available; and
- Expenditure attributable to the technological product during its development can be reliably measured.

Capitalised development costs include costs of materials and direct labour costs. Internal costs that are capitalised are limited to incremental costs specific to the project.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred and presented within operating expenses, together with any amortisation which is charged to the income statement on a straight-line basis over the estimated useful lives of product development intangible assets of 2-5 years.

Computer software

Computer software purchased separately, that does not form an integral part of related hardware, is capitalised at cost.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives and is presented within operating expenses. The useful life of computer software is 3 years.

(l) Impairment

For goodwill that has an indefinite useful life, the recoverable amount is estimated annually. For other assets, the recoverable amount is only estimated when there is an indication that an impairment may have occurred. The recoverable amount is the higher of fair value less costs to sell and value in use.

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

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

(m) Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is calculated on a first in first out basis and for includes the cost of acquiring the stocks (for raw materials and consumables) and elements of direct production and conversion costs plus attributable overheads based on normal levels of activity for finished goods. Provision is made for any foreseeable losses where appropriate.

(n) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss as incurred.

(o) Provisions

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

(p) Operating lease payments

Operating leases are leases in which substantially all the risks and rewards of ownership related to the asset are not transferred to the Group.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

(q) Net financing costs

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

(r) Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except to the extent that it arises on:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination;
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

(s) Cash and cash equivalents

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

(t) Financial instruments

Financial assets

Non-derivative financial assets are classified as either financial assets at amortised cost, fair value through profit or loss and fair value through other comprehensive income. The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. The basis of classification depends on the Group's business model and the contractual cash flow characteristics of the financial asset. All financial assets of the Group are held at amortised cost.

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

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

Financial liabilities

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

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

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and are initially recorded at fair value and thereafter at amortised cost using the effective interest rate method.

Financial derivatives

The Group uses derivative financial instruments to hedge its exposure to risks arising from operational activities, principally foreign exchange risk. In accordance with treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. The Group does not hedge account for these items. Any gain or loss arising from derivative financial instruments is based on changes in fair value, which is determined by direct reference to active market transactions or using a valuation technique where no active market exists. At certain times the Group has foreign currency forward contracts that fall into this category.

(u) Contract assets

Contract assets represent the gross unbilled amount for contract work performed to date, calculated by way of units assembled using the output method – refer policy (e). They are presented as part of "trade and other receivables" in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as "accruals and contract liabilities" in the balance sheet.

(v) Segmental reporting

The Group reports its business activities in one area, being the design, manufacture and supply of subsea cable, umbilical and flexible protection systems, and provision of subsea engineering services to the Offshore Wind and Oil and Gas sectors. This is reported in a manner consistent with the internal reporting to the Board of directors, which has been identified as the chief operating decision maker. The Board of directors consists of the Executive Directors and the Non-Executive Directors.

(w) Share capital

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

(x) Share premium

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

(y) Own shares held by ESOP trust

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

(z) Retained earnings

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

(aa) Government grants

Government grants are included within accruals and contract liabilities in the balance sheet and credit to the income statement over the expected useful lives of the assets to which they relate or in periods to which the related costs are incurred.

(ab) Share based payments

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

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

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Accounting estimates

Impairment of goodwill
The carrying amount of goodwill is £20,841,000 as at 30 September 2018 (30 September 2017: £19,362,000; 31 March 2018: £19,362,000). The Directors have carried out an impairment review in accordance with the accounting policies. The forecast cash generation for each Cash Generating Unit ("CGU") and the Weighted Average Cost of Capital ("WACC") represent significant assumptions.

The cash flows are based on a three year forecast with growth between 22.4% and 27.1%. Subsequent years are based on a reduced growth rate of 2.0% into perpetuity.

The discount rate used was the Group's pre-tax WACC of 10.0%.

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

(b) Accounting judgements

Judgements in applying accounting policies and key sources of estimation uncertainty
In the preparation of the interim financial statements the Directors, in applying the accounting policies of the Group, make some judgements and estimates that effect the reported amounts in the interim financial statements. The following are the areas requiring the use of judgement and estimates that may significantly impact the financial statements.

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

Warranty provisions
The calculation of warranty provisions includes estimates of future costs to be incurred in rectifying the issue with the customer, which are based on estimates and judgements of the likely remedial work.

Share based payments
The weighted average fair value of equity options granted is determined using the Black Scholes Model. The Group makes assumptions in identifying the appropriate inputs significant as disclosed within note 8. The assumptions are subject to estimation and are considered for reasonableness at each balance sheet date.

4. SEGMENTAL ANALYSIS – UNAUDITED

The trading operations of the Group are only in the subsea industry and are all continuing. This includes the activities of Tekmar Energy Limited, being the main trading activity, and AgileTek Engineering Limited. In addition, the central activities, comprising services and assets provided to Group companies, are considered incidental to the activities of the Group and have therefore not been shown as a separate operating segment but have been subsumed within the subsea industry. All assets of the Group reside in the UK.

Major customers

In the half year ended 30 September 2018 there were three major customers that individually accounted for at least 10% of total revenues (half year ended 30 September 2017: three customers; year ended 31 March 2018: five customers). The revenues relating to these in the half year 30 September 2018 were £3,219,000 (half year ended 30 September 2017: £6,378,000; year ended 31 March 2018: £17,047,000). Included within this is revenue from multiple projects with different entities within each customer.

Analysis of revenue

	Half year ended 30 September 2018	Half year ended 30 September 2017	Year ended 31 March 2018
	£'000	£'000	£'000
UK & Ireland	**1,677**	1,363	5,379
Rest of the World	**5,444**	10,081	16,512
	7,121	11,444	21,891

5. NET FINANCE COSTS – UNAUDITED

	Half year ended 30 September 2018	Half year ended 30 September 2017	Year ended 31 March 2018
	£'000	£'000	£'000
Interest payable and similar charges			
On loan notes	**144**	300	624
On other loans	**585**	1,256	2,392
On preference shares classed as liabilities	**258**	542	1,123
Fair value movement on forward foreign exchange contracts	**19**	73	53
Total interest payable and similar charges	**1,006**	2,171	4,192
Interest receivable	**(1)**	(1)	(4)
	1,005	2,170	4,188

6. EARNINGS PER SHARE – UNAUDITED

Basic and diluted earnings per share are calculated by dividing the earnings attributable to equity shareholders by the weighted average number of ordinary shares in issue.

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

	Half year ended 30 September 2018	Half year ended 30 September 2017	Year ended 31 March 2018
Earnings (£'000)			
Earnings for the purposes of basic and diluted earnings per share being loss for the year attributable to equity shareholders	**(2,451)**	(88)	(110)
Number of shares			
Weighted average number of shares for the purposes of basic earnings per share	**120,215,124**	208,146,780	208,146,780
Weighted average dilutive effect of conditional share awards	**1,750,000**	-	-
Weighted average number of shares for the purposes of diluted earnings per share	**121,965,124**	208,146,780	208,146,780
Loss per ordinary share (pence)			
Basic loss per ordinary share	**(2.04)**	(0.04)	(0.05)
Diluted loss per ordinary share	**(2.04)**	(0.04)	(0.05)
Adjusted earnings per ordinary share (pence)			
Basic adjusted earnings per ordinary share	**(1.36)**	0.20	0.39
Diluted adjusted earnings per ordinary share	**(1.36)**	0.20	0.39

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

	Half year ended 30 September 2018	Half year ended 30 September 2017	Year ended 31 March 2018
	£'000	£'000	£'000
Loss for the period attributable to equity shareholders	**(2,451)**	(88)	(110)
Add back/(deduct):			
Depreciation and amortisation charges	**411**	596	1,016
Exceptional items	**247**	24	123
Share based payments	**186**	-	-
Tax effect of the above	**(30)**	-	(216)
Adjusted earnings	**(1,637)**	532	813

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

7. TAXATION – UNAUDITED

The taxation credit represents deferred tax credit of £30k on the share-based payment charge and a Research & Development tax credit of £134k.

Given the accounting and tax losses at the half-year, no current or deferred tax asset has been recognised as the losses are unable to be carried back and the recovery of a deferred tax asset cannot be reasonably assured.

8. SHARE BASED PAYMENTS – UNAUDITED

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

As part of the admission to trading on AIM in June 2018, the Group granted a total of 1,750,000 share options to key executives. All of the options granted are subject to service conditions, being continued employment with the Group until the end of the vesting period. The options include certain performance conditions which must be met, based upon pre-determined earnings per share and total shareholder return targets for the financial years ending March 2019 and 2020. The awards will become exercisable on 20 June 2021 to the extent that the performance conditions have been satisfied.

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

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

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

The Tekmar Group Share Incentive Plan ("SIP")

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

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

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

The Group has recognised a total expense of £186,000 in respect of equity-settled share-based payment transactions in the period ended 30 September 2018, which has been included in staff costs. No options were exercised during the period.

Valuation model inputs

The key inputs to the Black-Scholes-Merton model for the purposes of estimating the fair values of the share options granted in the year are as follows:

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

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

9. GOODWILL AND OTHER INTANGIBLES – UNAUDITED

	Goodwill	Software	Product development	Total
	£'000	£'000	£'000	£'000
COST				
As at 1 April 2017	23,471	151	1,105	24,727
Additions	-	-	44	44
As at 30 September 2017	23,471	151	1,149	24,771
Additions	-	-	80	80
As at 31 March 2018	23,471	151	1,229	24,851
Additions	1,479	-	266	1,745
As at 30 September 2018	**24,950**	**151**	**1,495**	**26,596**
AMORTISATION				
As at 1 April 2017	4,109	80	204	4,393
Charge for the year	-	25	241	266
As at 30 September 2017	4,109	105	445	4,659
Charge for the year	-	25	162	187
As at 31 March 2018	4,109	130	607	4,846
Charge for the year	-	21	154	175
As at 30 September 2018	**4,109**	**151**	**761**	**5,021**
NET BOOK VALUE				
As at 1 April 2017	19,362	71	901	20,334
As at 30 September 2017	19,362	46	704	20,112
As at 31 March 2018	19,362	21	622	20,005
As at 30 September 2018	**20,841**	**-**	**734**	**21,575**

The remaining amortisation periods for software and product development are 6 months to 36 months (half year ended 30 September 2017: 11 months to 32 months; year ended 31 March 2018: 5 months to 26 months).

The goodwill addition in the year relates to the acquisition of Subsea Innovation Ltd as set out in note 10.

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

Goodwill is attributed to the only CGU within the Group, services to the subsea Offshore Wind and Oil and Gas sectors. Goodwill has been tested for impairment by assessing the value in use of the cash generating unit. The value in use calculations were based on projected cash flows in perpetuity. Budgeted cash flows for 2019 to 2021 were used. These were based on a three year forecast with growth rates of 22.4% to 27.1% applied for the following years. Subsequent years were based on a reduced rate of growth of 2.0% into perpetuity.

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

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

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

10. BUSINESS COMBINATIONS – UNAUDITED

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

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

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

	£'000
Cash consideration	66
Overdraft acquired	115
	181

Recognised amounts of identifiable assets acquired and liabilities assumed

	Values recognised at acquisition		
	Book value	**Adjustments**	**Fair value**
	£'000	£'000	£'000
Assets			
Property, plant and equipment	3,348	(1,008)	2,340
Trade and other receivables	314	-	314
Inventories	248	-	248
Cash and cash equivalents	(115)	-	(115)
	3,795	**(1,008)**	**2,787**
Liabilities			
Trade and other payables	(181)	(117)	(298)
Directors Loan Account	(2,623)	1,200	(1,423)
Borrowings	(348)	-	(348)
Provisions	(131)	-	(131)
	(3,283)	**1,083**	**(2,200)**
Total identifiable assets	**512**	**75**	**587**
Goodwill			1,479
Total			**2,066**

Given the proximity to the reporting period, the impact on results is minimal and as a result has not been disclosed.