3 December 2019

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

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

Tekmar Group (AIM: TGP), a leading technology provider of subsea protection systems for the global offshore energy markets, announces its half year results for the six months ended 30 September 2019 ("HY20" or the "Period").

Highlights:

- Strong revenue growth across all divisions and results in line with management expectations
- Record Order Book[3] of £15.9m – up 23.26% YOY with several contract wins across divisions throughout the Period
- Enquiry Book[5] increased YOY and sales conversion on track
- Diversification strategy on track with acquisitions making valuable strategic contribution - Subsea Innovation and Ryder Geotechnical delivering strong results
- Tekmar Energy revenues up by 73% YOY, strengthening its position overseas securing work in APAC and USA
- Awarded the London Stock Exchange's Green Economy Mark
- Business remains debt free with a positive cash balance of £3.9m
- Long term global outlook in the Group's key markets improving, with forecasts for future offshore wind generation up by 43.5% YOY and the oil price anticipated to remain above the investment floor of $50pbl

Key financials:

	HY20	HY19	FY19
• Revenue	**£17.1m**	£7.1m	£28.1m
• Adjusted EBITDA[1]	**£2.0m**	(£0.8m)	£4.8m
• Cash	**£3.9m**	£7.6m	£4.2m
• Market Visibility[2]	**£40.5m**	£38.1m	£50.2m

Sales KPIs:

	HY20	HY19	FY19
• Order Book[3]	**£15.9m**	£12.9m	£7.2m
• Preferred Bidder[4]	**£7.5m**	£18.1m	£15.0m
• Enquiry Book[5]	**£186m**	£170m	£195m
• LTM sales conversion[6]	**56%**	50%	62%

Outlook:

- Group firmly on track to meet market expectations for FY20
- Anticipated seasonality in product mix and associated margins continues with Group's revenue expected to be H2 weighted
- Revenue split expected to remain at current levels of c.60% Offshore Wind and c.40% Subsea
- Group acquired Pipeshield International Limited ("Pipeshield") on 9 October 2019[7] and integration progressing well, with an additional £45 million contribution to the Enquiry Book[5] (not reflected in HY20 numbers)[7]

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

"We have made great progress in the first half of the year, delivering record revenue growth and securing the Company's largest ever Order Book. All our businesses performed well, the outlook remains very positive with our core market, offshore wind, forecast to grow substantially in the long term and the integration of our acquisitions and long-term strategy have progressed well. We believe that the Group is firmly on track to meet our expectations in the current year with positive market indications for the future."

Notes:

(1) 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.
(2) Market Visibility is defined as: Revenue + Order Book + Preferred Bidder.
(3) Order Book is defined as signed contracts with clients. Expected revenue recognition within 6 months.
(4) Preferred Bidder defined as being out of competitive tender process and selected as sole bidder in active contract negotiations. Expected revenue recognition within 12 months.
(5) All active lines of enquiry within the Tekmar Group. Expected revenue recognition within 3 years.
(6) Last Twelve Months conversion rate; Total Enquiry (Bid) to Win ratio.
(7) The acquisition of Pipeshield, which occurred post-Period end, is not reflected in these results.

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

Tekmar's vision is to be the partner of choice for the supply and installation support of subsea protection equipment to the global offshore energy markets. The Group has five primary operating companies; these are Tekmar Energy Limited, Subsea Innovation Limited, AgileTek Engineering Limited, Ryder Geotechnical Limited and Pipeshield International limited.

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

AgileTek Engineering is an award-winning subsea engineering consultancy for offshore energy projects. AgileTek helps its clients de-risk projects through advanced computer simulation and analysis. https://agiletek.co.uk/. AgileDat, a division of AgileTek, provides software development, cloud architecture and data analytics services. https://agiledat.co.uk/

Ryder Geotechnical provides expert geotechnical design and consulting services to the offshore wind and subsea oil and gas sectors. Services include offshore structure foundation design, geohazard assessment and subsea cable routing and burial assessment. https://www.rydergeotechnical.com/

Pipeshield International is a market leading provider of specialised subsea protection solutions, in the form of concrete mattresses. These mattresses are used for the stabilisation and impact protection of subsea equipment, in areas where they cannot be buried, and to limit the development of scour (seabed erosion), particularly local to that of a foundation, pipeline or in marine ports. http://www.pipeshield.com/.

The Group and Tekmar Energy are headquartered in Newton Aycliffe; AgileTek and Ryder operate from offices in London and Newcastle; Subsea Innovation has its head office and manufacturing centre in Darlington. Pipeshield's headquarters are in Lowestoft with manufacturing in Blyth, Northumberland. Tekmar also has representation in South Korea, USA, China and across the Middle East.

CHIEF EXECUTIVE'S REVIEW

I am pleased to report that the Group has continued to deliver on its diversification strategy to expand its product and service offering, whilst also achieving record H1 revenues. All of the Group’s businesses performed well during the Period, including Ryder Geotechnical, a small but strategically important acquisition which was integrated within the Group shortly before the FY19 year end.

Our markets have continued to strengthen during the Period, as described in the market section below, showing positive signs for future growth. In the short-term, as the offshore wind market becomes more economically competitive with less reliance on subsidies, the European market is unwinding slower than we have experienced previously but, at the same time, we are seeing increases in the size of projects in the medium to long-term. Tekmar Energy continues to maintain its dominant market share for its core product TEKLINK® cable protection and we are also seeing increasing volumes and prospects in the Asian market for our other cable protection/non TEKLINK® products.

The Group's strategy to diversify away from its reliance on a single product continues to progress well. Our sales volumes in the Subsea market are increasing, as the Group is able to offer a unique value proposition for its clients, combining multiple products and services for the provision of subsea protection and installation equipment for the global offshore oil and gas market. This proposition will be further enhanced by Pipeshield, which we acquired shortly after the half year end.

Market Visibility[2] – our primary measure for Group outlook, which is calculated from the sum of the turnover for the Period plus pending contracts under negotiation on which we have Preferred Bidder Status and the Group’s Secured Order Book – has improved slightly on HY19. When comparing this measure to FY19, the reduction reflects the level of pending work successfully converted into contracts during Period. We have delivered £7.2m of the secured order backlog from FY19 and converted an additional £10m of orders into revenue. The doubling of the order book to £15m (FY19 £7.2m) shows strong progress and the majority of this work is expected to be delivered within the second half. We anticipate the Enquiry Book and preferred bidder position to increase towards the year end.

The acquisitions that we have completed since the Group’s IPO in June 2018, as part of our diversification strategy, have moved us closer to achieving our vision of being the partner of choice for the supply and installation support of subsea protection equipment to global offshore energy markets. We are pleased with how our portfolio of complementary businesses is beginning to interact and work together. As the new businesses are bedded in, our focus will turn to synergies, like the remedial contract award in February 2019 (RNS 0752R), on which all Group companies contributed to the project. We look forward to reporting further on our progress at the full year. The Board continues to explore further potential acquisitions to strengthen and expand our product offering over the full lifecycle of subsea projects further.

As detailed in the financial review, seasonality in the product mix and its associated effect continues. The Board expects the Group’s revenue to be weighted to the second half of the financial year with the market split remaining at current levels of c.60% Offshore Wind and c.40% Subsea. Tekmar Energy is expected to contribute 65% to FY20. Of this, we expect our core offshore wind product, TekLink®, to contribute c.35% to Group revenue, as product diversification and the short-term delays in projects (detailed above) continue. Subsea Innovation is expected to contribute 20% with Pipeshield and AgileTek at 10% and 5% respectively. Margins across the Group’s product portfolio have been broadly maintained YOY and overall Group margin is reflective of changes in product mix.

Operational review

The Group has performed strongly during the Period across all divisions and we are encouraged by the long-term growth drivers, which underpin an improving future performance. The benefit of the Group’s focus on diversification to additional Subsea products has enabled us to offset delays in revenue from European offshore wind contracts. As a result, we expect to report record revenues in FY20, in excess of current management expectations and to report profit for the financial year in line with current management expectations.

Tekmar Energy, which comprised 68% of Group HY20 revenues, made substantial progress on its planned expansion into Asia. During the Period, it won several contracts, most notably the supply of its cable protection system ("CPS") on Taiwan's second wind farm installation. This followed earlier successes on Formosa Phase 1 and Phase 2 projects. In Europe, the business was awarded its largest contract to date for the supply of its flagship cable protection system product, TEKLINK®, to one of the world's largest offshore wind farm developments, the Hornsea Two project for Orsted. Revenues in the business increased by 73% to £11.6m in the Period (HY19: £6.7m).

Subsea Innovation has performed strongly since we acquired the business in September 2018, with the business benefitting from being part of the Group. The business continued to improve in HY20, delivering 29% of Group revenue at £4.9m for the Period (HY19: £0.2m). Subsea Innovation is working on several high-profile design and build back-deck equipment projects for pipe-laying, which are expected to be completed in the current financial year. In addition, Subsea Innovation has also been working alongside other Group businesses to produce bespoke subsea tool designs for several remedial cable protection solutions, including a prototype cleaning tool to be used in next year's summer campaign. Since it joined Tekmar Group in 2018, the business has received an increasing number of enquiries, demonstrating the benefits of our strategy to provide complementary technologies and the wider Group's marketing and business development activities.

AgileTek Engineering, which includes Ryder Geotechnical, supports the geotechnical assessments for foundation design and cable burial risk assessment. The combined businesses contributed 6% to Group revenue and make a valuable strategic contribution to the wider Group, bringing opportunities onto the Group's radar at the earlier stages of a project's lifecycle. Agiletek differentiates the Group's offering, providing advanced engineering simulation using cloud computing to handle large, complex calculations. Revenue in the Period more than doubled to £1.1m (HY19 £0.4m).

In October 2019, post the Period end, we acquired Pipeshield, a global market leader in the provision of patented subsea concrete mattress protection systems, for a total consideration of £6.5m. Pipeshield has broadened our portfolio of complementary technologies and takes us one step closer to our vision of being the partner of choice for the supply and installation of subsea protection equipment to global offshore energy markets. The integration of Pipeshield is progressing to plan and this acquisition has added a further £45m to the Enquiry Book (in addition to reported half year KPI's) and we expect the business to make a small contribution to the full year results and a positive higher contribution in the following year.

I am also pleased to note that Tekmar Group was awarded the Green Economy Mark from the London Stock Exchange, shortly after the half year end. The mark identifies companies and listed funds that generate between 50% and 100% of total annual revenues from products and services that contribute to the global green economy.

Markets

The offshore wind market is expanding and is an exciting and substantial opportunity for the Group. The staggering growth forecast in this market is being expedited by the improving economics of renewable energy. The latest UK contract for difference ("CFD") auction price of £39.65/MW/h is below the wholesale price of electricity for the first time in the UK. This important milestone demonstrates offshore wind's profitability, even without subsidies, which the Board believes is a catalyst for significant growth in the medium to long term. A recent report from the International Energy Agency ("IEA") forecasts that global offshore wind power capacity will increase 15-fold over the next two decades, becoming a $1 trillion business. IEA reports that current total global capacity, of which 80% is European, is just 23GW, representing only 0.3% of global electricity generation. Offshore wind has the potential to become a mainstay of the world's power supply, providing a prodigious market growth opportunity. Analysts at 4C Offshore appear to support this view, having recently upgraded the global outlook for offshore wind from 170GW to 244GW by 2030.

Global demand in other subsea sectors - including offshore oil and gas, telecoms and power interconnectors, along with other renewables projects - remains stable. With our broadening product and services portfolio, these sectors represent an increasing opportunity for the Group. According to Westwood's forecasts, the oil price is expected to stay above the key trigger price for investment of $50pbl for the foreseeable future.

Financial review

Key financials £m	**HY20**	HY19	FY19
Revenue	**17.1**	7.1	28.1
Gross profit	**5.4**	1.6	9.9
Adjusted EBITDA	**2.0**	(0.8)	4.8
Profit before taxation	**0.8**	(2.6)	2.0
Profit after taxation	**0.7**	(2.5)	2.4
Adjusted EPS (pence)*	**2.2**	(4.0)	6.2

*Adjusted EPS is a key metric used by the Directors since IPO as it aligns to the analysts' method of calculation (see Note 6).

Revenue
Revenue increased significantly across all businesses in HY20, compared to the prior half year. Subsea Innovation, acquired in September 2018, contributed over the full Period for the first time, generating revenue of £4.9m (HY19: £0.2m), which included two large design and build projects. Tekmar Energy's revenue of £11.6m (HY19: £6.7m) comprised three large offshore projects, including one in China. AgileTek Engineering benefited from the acquisition of Ryder Geotechnical at the end of FY19, contributing £1.1m (HY19: £0.4m) to Group revenue.

Gross profit
The improvement in gross profit resulted from a more favourable product mix, with a stronger weighting in HY20 on higher margin offshore wind projects. We do still experience a level of seasonality in project timings, with a higher weighting in H2 due to a preference for projects to be delivered in advance of installation campaigns in the summer months.

EBITDA
EBITDA is one of our primary KPI's and we present an adjusted measure, removing certain non-cash and exceptional items to provide a more accurate reflection of underlying earnings. As well as adding back depreciation and amortisation to operating profit, we also add back share-based payments costs and exceptional costs. In the Period, exceptional costs of £69k primarily comprised professional costs relating to the acquisition of Pipeshield, which was completed in October 2019.

Profit before tax
Depreciation and amortisation in HY20 included charges for Subsea Innovation for the whole period. Finance costs related to interest on bank guarantees, which are a common requirement for offshore wind contracts. Finance income relates to revaluation of forward foreign currency contracts.

Foreign currency
During the Period, we continued to hold forward foreign currency contracts to mitigate against movements in the Euro/GBP rate for those contracts that are paid in Euros. We extended this coverage for two new projects awarded in the Period, again payable in Euros. The closing rate for revaluation of Euro balances at the 30 September 2019 was 1.1302 (31 March 2019: 1.1605).

Results by business and market

BY BUSINESS			
£m	**HY20**	HY19	FY19
REVENUE			
Tekmar Energy	**11.6**	6.7	24.1
Subsea Innovation	**4.9**	0.2	3.5
AgileTek	**1.1**	0.4	1.0
Intercompany elimination	**(0.5)**	(0.2)	(0.5)
Total	**17.1**	7.1	28.1
GROSS PROFIT			
Tekmar Energy	**3.4**	1.3	8.2
Subsea Innovation	**1.3**	0.0	1.1
AgileTek	**0.7**	0.3	0.6
Total	**5.4**	1.6	9.9
ADJUSTED EBITDA			
Tekmar Energy	**1.5**	(0.5)	4.6
Subsea Innovation	**0.5**	(0.1)	0.5
AgileTek	**0.2**	0.1	0.1
Group	**(0.2)**	(0.3)	(0.4)
Total	**2.0**	(0.8)	4.8

BY MARKET			
£m	**HY20**	HY19	FY19
REVENUE			
Offshore wind	**9.8**	5.4	19.7
Subsea	**7.3**	1.7	8.4
Total	**17.1**	7.1	28.1
GROSS PROFIT			
Offshore wind	**4.3**	2.3	9.6
Subsea	**2.1**	0.3	2.8
Unallocated costs	**(1.0)**	(1.0)	(2.5)
Total	**5.4**	1.6	9.9

Results include Subsea Innovation and Ryder Geotechnical for the full six months. The latter is a subsidiary of AgileTek Engineering and financials are reported through this business. Unallocated costs (gross profit by market) relate to production costs in Tekmar Energy which we do not allocate by sector.

Balance sheet

£m	**HY20**	HY19	FY19
Property, plant & equipment	**5.2**	3.7	5.5
Other non-current assets	**21.7**	21.8	21.8
Stock	**2.1**	1.7	1.9
Trade & other receivables	**20.0**	7.0	20.0
Cash	**3.9**	7.6	4.2
Trade & other payables	**(8.4)**	(2.8)	(9.8)
Other non-current liabilities	**(0.7)**	(1.0)	(0.8)

Property, plant & equipment
Property, plant and equipment has remained at similar levels to the year end and the movement from HY19 relates to the assets acquired under the Subsea Innovation acquisition.

Other non-current assets
This relates to the goodwill arising on the original management buy-out in 2011 (£19.6m), the intangibles arising on the acquisition of Subsea Innovation less amortisation on these (£1.0m) and investment in product development (£1.0m).

Trade and other receivables
Trade and other receivables comprise £3.4m trade debtors, £15.5m accrued income and £1.1m other debtors. Whilst the accrued income balance remains high, a significant proportion of this relates to payment milestones under normal project billing cycles and reflects the increase in revenue during the Period.

Tekmar Energy had £13m of accrued income at the Period end, with £7.4m for HY20 projects and £5.6m relating to delayed invoicing on three offshore wind projects from FY19. Of the latter, we have invoiced £2.7m since the Period end on escalated payment terms. The customers in question are very large, financially robust organisations and we have no concerns over non payment.

Within Subsea Innovation there was £2.3m of accrued income with £1.7m across two large design and build projects being built over the Period end. This will be invoiced within the next few months on completion of the projects.

Cash
Despite the delays in invoicing mentioned above, cash management is a major area of focus across the Group and we closed the period with £3.9m of free cash. On 9 October 2019 we completed the acquisition of Pipeshield with a cash payment of £3.0m, offset by £1.1m of cash and £1.7m of working capital within this business.

Trade and other payables
Trade and other payables include the deferred earn-out consideration (£1m) under the Subsea Innovation acquisition which we expect to pay within 12 months.

Other non-current liabilities
Other non-current liabilities relate to the lease liabilities in relation to IFRS16 and deferred grant income.

Outlook

Given the Order Book and the long-term positive global outlook for offshore wind and stability in the oil and gas market, the Board believes that the Group is firmly on track to meet its expectations for the full year ending 31 March 2020 and remains confident in the future success of the business.

James Ritchie
Chief Executive Officer
3 December 2019

Consolidated Statement of Comprehensive Income

	Note	**Half year ended 30 September 2019**	Half year ended 30 September 2018	Year ended 31 March 2019
		£'000	£'000	£'000
Revenue	4	**17,093**	7,121	28,082
Cost of sales		**(11,653)**	(5,488)	(18,190)
Gross profit		**5,440**	1,633	9,892
Operating expenses		**(4,645)**	(3,252)	(6,987)
Other operating income		**-**	12	-
Group operating profit/(loss)		**795**	(1,607)	2,905
Analysed as:				
Adjusted EBITDA[1]		**1,975**	(763)	4,833
Depreciation		**(545)**	(236)	(808)
Amortisation	8	**(306)**	(175)	(476)
Share based payments charge		**(260)**	(186)	(418)
Exceptional items		**(69)**	(247)	(226)
Group operating profit/(loss)		**795**	(1,607)	2,905
Finance costs	5	**(47)**	(1,006)	(1,006)
Finance income	5	**78**	1	147
Net finance costs		**31**	(1,005)	(919)
Profit/(loss) before taxation		**826**	(2,612)	1,986
Taxation	7	**(102)**	161	407
Profit/(loss) for the period and total comprehensive income/(expense)		**724**	(2,451)	2,393
Earnings/(loss) per share (pence)				
Basic	6	**1.43**	(4.90)	4.75
Diluted	6	**1.38**	(4.90)	4.63

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 2019**	Half year ended 30 September 2018	Year ended 31 March 2019
		£'000	£'000	£'000
Non-current assets				
Property, plant and equipment		**5,198**	3,681	5,501
Goodwill and other intangibles	8	**21,600**	21,575	21,837
Deferred tax asset		**79**	211	-
Total non-current assets		**26,877**	25,467	27,338
Current assets				
Inventory		**2,137**	1,741	1,914
Trade and other receivables	9	**19,886**	6,695	19,537
Corporation tax recoverable		**90**	263	459
Cash and cash equivalents		**3,867**	7,605	4,190
Total current assets		**25,980**	16,304	26,100
Total assets		**52,857**	41,771	53,438
Equity and liabilities				
Share capital		**507**	507	507
Share premium		**64,100**	65,093	64,100
Merger relief reserve		**993**	-	993
Merger reserve		**(12,685)**	(12,685)	(12,685)
Retained losses		**(9,121)**	(14,989)	(10,098)
Total equity		**43,794**	37,926	42,817
Non-current liabilities				
Borrowings		**314**	-	487
Trade and other payables		**359**	1,000	358
Deferred tax liability		**-**	-	3
Total non-current liabilities		**673**	1,000	848
Current liabilities				
Trade and other payables		**8,004**	2,711	9,395
Provisions		**-**	134	-
Other interest-bearing loans and borrowings		**386**	-	378
Total current liabilities		**8,390**	2,845	9,773
Total liabilities		**9,063**	3,845	10,621
Total equity and liabilities		**52,857**	41,771	53,438

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Merger relief reserve	Merger reserve*	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2018	-	-	-	2,886	(12,704)	(9,818)
Adjustment on adoption of IFRS 16	-	-	-	-	(163)	(163)
Adjusted balance at 1 April 2018	-	-	-	2,886	(12,867)	(9,981)
Loss for the period	-	-	-	-	(2,451)	(2,451)
Total comprehensive expense for the period	-	-	-	-	(2,451)	(2,451)
Group reorganisation	-	-	-	(15,571)	-	(15,571)
Issue of shares on IPO	500	64,500	-	-	-	65,000
Expenses of the IPO	-	(400)	-	-	-	(400)
Issue of shares post IPO	7	993	-	-	-	1,000
Share based payments	-	-	-	-	166	166
Total transactions with owners, recognised directly in equity	507	65,093	-	(15,571)	166	50,195
Balance at 30 September 2018	507	65,093	-	(12,685)	(14,989)	37,926
Reserves reclassification	-	(993)	993	-	-	-
Profit for the period	-	-	-	-	4,891	4,891
Total comprehensive income for the period	-	-	-	-	4,891	4,891
Balance at 31 March 2019	507	64,100	993	(12,685)	(10,098)	42,817
Profit for the period	-	-	-	-	724	724
Total comprehensive income for the period	-	-	-	-	724	724
Share based payments	-	-	-	-	253	253
Total transactions with owners, recognised directly in equity	-	-	-	-	253	253
Balance at 30 September 2019	**507**	**64,100**	**993**	**(12,685)**	**(9,121)**	**43,794**

*In the previous year's half year report the Merger reserve was referred to as the Consolidation reserve. The change is in description of the balance only.

Consolidated Cash Flow Statement

	Half year ended 30 September 2019	Half year ended 30 September 2018	Year ended 31 March 2019
	£'000	£'000	£'000
Cash flows from operating activities			
Profit/(loss) before taxation	**826**	(2,612)	1,986
Adjustments for:			
Depreciation	**546**	236	808
Amortisation of intangible assets	**306**	175	476
Share based payments charge	**228**	186	345
Gain on bargain purchase	**-**	-	(95)
Finance costs	**47**	1,006	1,066
Finance income	**(78)**	(1)	(147)
	1,875	(1,010)	4,439
Changes in working capital:			
(Increase)/decrease in inventories	**(223)**	349	176
(Increase)/decrease in trade and other receivables	**(349)**	2,112	(10,493)
(Decrease)/increase in trade and other payables	**(1,390)**	(2,607)	2,876
Increase/(decrease) in provisions	**-**	3	(131)
Cash used in from operations	**(87)**	(1,153)	(3,133)
Tax recovered	**211**	134	180
Net cash inflow/(outflow) from operating activities	**124**	(1,019)	(2,953)
Cash flows from investing activities			
Purchase of property, plant and equipment	**(243)**	(176)	(996)
Purchase of intangible assets	**(69)**	(266)	(865)
Proceeds on sale of property, plant and equipment	**-**	-	3
Acquisition of subsidiary net of cash acquired	**-**	(181)	(168)
Interest received	**78**	1	147
Net cash outflow from investing activities	**(234)**	(622)	(1,879)
Cash flows from financing activities			
Repayment of borrowings	**(166)**	(33,058)	(33,282)
Repayment relating to acquisition	**-**	(1,771)	(1,771)
Proceeds from issues of shares	**-**	49,429	49,429
Expenses of the IPO	**-**	(400)	(400)
Interest paid	**(47)**	(7,571)	(7,571)
Net cash (outflow)/inflow from financing activities	**(213)**	6,629	6,405
Net (decrease)/increase in cash and cash equivalents	**(323)**	4,988	1,573
Cash and cash equivalents at beginning of period	**4,190**	2,617	2,617
Cash and cash equivalents at end of period	**3,867**	7,605	4,190

Consolidated Cash Flow Statement

Analysis of changes in net debt

	As at 1 April 2019	Cash flows	Capitalisation of interest	**As at 30 September 2019**
	£'000	£'000	£'000	**£'000**
Cash	4,190	(323)	-	**3,867**

	As at 1 October 2018	Cash flows	Capitalisation of interest	**As at 31 March 2019**
	£'000	£'000	£'000	**£'000**
Cash	7,605	(3,415)	-	**4,190**

	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	**-**

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.
These condensed interim financial statements (“interim financial statements”) have not been audited or reviewed by the Company's auditor.

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 2019 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". They should be read in conjunction with the Annual Report for the year ended 31 March 2019 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 2019 are not the Company's full statutory accounts for that year. They have been extracted from the 2019 Annual Report. The accounting policies applied to these financial statements are in line with those disclosed in the 2019 Annual Report.

(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 2021. 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 there are no standards in issue which are expected to have a material impact on the Group.

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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Accounting estimates

Impairment of goodwill

The carrying amount of goodwill is £19,596,000 as at 30 September 2019 (30 September 2018: £20,841,000; 31 March 2019: £19,362,000). The Directors have carried out an impairment review within the last year 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 13.2% and 14.9%. 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. 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.

Share based payments

The weighted average fair value of equity options granted is determined using various fair value models, including Black-Scholes-Merton and Monte Carlo models. The Group makes assumptions in identifying the appropriate inputs significant. The assumptions are subject to estimation and are considered for reasonableness at each balance sheet date.

4. SEGMENTAL ANALYSIS

The trading operations of the Group are only in the subsea industry and are all continuing. 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 2019 there were three major customers that individually accounted for at least 10% of total revenues (half year ended 30 September 2018: three customers; year ended 31 March 2019: three customers). The revenues relating to these in the half year 30 September 2019 were £8,047,000 (half year ended 30 September 2018: £3,219,000; year ended 31 March 2019: £11,217,000). Included within this is revenue from multiple projects with different entities within each customer.

Analysis of revenue

	Half year ended 30 September 2019	Half year ended 30 September 2018	Year ended 31 March 2019
	£'000	£'000	£'000
UK & Ireland	**10,386**	1,677	10,483
Rest of the World	**6,707**	5,444	17,599
	17,093	7,121	28,082

5. NET FINANCE COSTS

	Half year ended 30 September 2019	Half year ended 30 September 2018	Year ended 31 March 2019
	£'000	£'000	£'000
Interest payable and similar charges			
On loan notes	**-**	144	144
On other loans	**47**	585	664
On preference shares classed as liabilities	**-**	258	258
Fair value movement on forward foreign exchange contracts	**-**	19	-
Total interest payable and similar charges	**47**	1,006	1,066
Interest receivable and similar income			
Interest receivable	**(1)**	(1)	(5)
Fair value movement on forward foreign exchange contracts	**(77)**	-	(142)
Total interest receivable and similar income	**(78)**	(1)	(147)
Net finance costs	**(31)**	1,005	919

6. EARNINGS PER SHARE

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 2019	Half year ended 30 September 2018	Year ended 31 March 2019
Earnings (£'000)			
Earnings for the purposes of basic and diluted earnings per share being loss for the year attributable to equity shareholders	**724**	(2,451)	2,393
Number of shares			
Weighted average number of shares for the purposes of basic earnings per share	**50,687,852**	50,055,942	50,351,745
Weighted average dilutive effect of conditional share awards	**1,625,000**	-	1,336,986
Weighted average number of shares for the purposes of diluted earnings per share	**52,312,852**	50,055,942	51,688,731
Earnings/(loss) per ordinary share (pence)			
Basic earnings/(loss) per ordinary share	**1.43**	(4.90)	4.75
Diluted earnings/(loss) per ordinary share	**1.38**	(4.90)	4.63

Adjusted earnings per ordinary share (pence)*

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

Earnings (£'000)			
Profit/(loss) for the period attributable to equity shareholders	**724**	(2,451)	2,393
Add back/(deduct):			
Amortisation as a result of business combinations	**111**	-	109
Exceptional items	**69**	247	226
Share based payments	**260**	186	418
Tax effect of the above	**(54)**	-	-
Adjusted earnings	**1,110**	(2,018)	3,146
Number of shares			
Number of shares in issue at the period end	50,687,852	50,687,852	50,687,852
Adjusted earnings per ordinary share (pence)	**2.19**	**(3.98)**	**6.21**

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

7. TAXATION

The taxation charge represents the profit before tax for the period with an effective tax rate based on that which we expect for the full year.

Our expectation is that the Group will continue to benefit from incentives, such as Patent Box, and this will lead to an effective tax rate that is lower than the main rate of corporation tax for both the current and future years.

8. GOODWILL AND OTHER INTANGIBLES

	Goodwill	Software	Product development	Trade name	Customer relationships	Total
	£'000	£'000	£'000	£'000	£'000	£'000
COST						
As at 1 April 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
Additions	-	93	506	-	-	599
Disposals	-	(88)	-	-	-	(88)
Purchase price allocation reclassification	(1,245)	25	-	738	446	(36)
As at 31 March 2019	23,705	181	2,001	738	446	27,071
Additions	-	26	43	-	-	69
As at 30 September 2019	**23,705**	**207**	**2,044**	**738**	**446**	**27,140**
AMORTISATION AND IMPAIRMENT						
As at 1 April 2018	4,109	130	607	-	-	4,846
Charge for the period	-	21	154	-	-	175
As at 30 September 2018	4,109	151	761	-	-	5,021
Charge for the period	-	15	177	36	73	301
Eliminated on disposal	-	(88)	-	-	-	(88)
As at 31 March 2019	4,109	78	938	36	73	5,234
Charge for the period	-	9	186	37	74	306
As at 30 September 2019	**4,109**	**87**	**1,124**	**73**	**147**	**5,540**
NET BOOK VALUE						
As at 1 April 2018	19,362	21	622	-	-	20,005
As at 30 September 2018	20,841	-	734	-	-	21,575
As at 31 March 2019	19,596	103	1,063	702	373	21,837
As at 30 September 2019	**19,596**	**120**	**920**	**665**	**299**	**21,600**

The remaining amortisation periods for software and product development are six months to 36 months (half year ended 30 September 2018: six months to 36 months; year ended 31 March 2019: six months to 36 months).

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

Goodwill is attributed to the 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 13.2% to 14.9% 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.

9. TRADE AND OTHER RECEIVABLES

	Half year ended 30 September 2019	Half year ended 30 September 2018	Year ended 31 March 2019
	£'000	£'000	£'000
Trade receivables not past due	**2,729**	3,095	3,279
Trade receivables past due	**709**	211	1,462
Trade receivables, net	**3,438**	3,306	4,741
Contract assets	**15,492**	2,954	13,515
Other debtors	**327**	78	693
Prepayments	**418**	357	441
Derivative financial assets	**211**	-	147
	19,886	6,695	19,537

10. POST BALANCE SHEET EVENTS

On 9 October 2019 the Company acquired the entire share capital of Pipeshield International Ltd for an initial cash payment of £3,000,000, shares in the Group of £750,000 and deferred consideration of £2,750,000 - £1,500,000 payable on 9 April 2020 and £1,250,000 payable on 9 October 2020.

Pipeshield is a world leading technology provider of subsea concrete mattresses. These mattresses are used in the protection of subsea equipment such as pipelines and power cables within all marine environments, including offshore wind, marine renewables, oil and gas and marine civil engineering.

A full purchase price allocation exercise is in progress and will be finalised in the annual report.

Consideration as at 9 October 2019:

	Consideration
	£'000
Cash	3,000
Shares	750
Deferred consideration	2,750
	6,500