



# **Tekmar Group plc Admission Document**

June 2018

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document or the action you should take, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent adviser who is authorised under the FSMA if you are in the United Kingdom, or, if outside the United Kingdom, from another appropriately authorised independent adviser.

This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies, has been issued in connection with an application for admission to trading on AIM of the entire share capital, issued and to be issued pursuant to the Placing and Acquisition, of Tekmar Group plc. This document does not constitute an offer or any part of any offer of transferable securities to the public within the meaning of section 102B of the FSMA or otherwise. Accordingly, this document does not constitute a prospectus for the purposes of section 85 of the FSMA or otherwise, and has not been drawn up in accordance with the Prospectus Rules or filed with or approved by the FCA or any other competent authority.

**Application has been made for the Shares to be admitted to trading on AIM ("Admission"). It is expected that Admission will become effective and that trading in the Shares will commence on AIM on 20 June 2018.**

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.**

The Company and the Directors, whose names appear on pages 25 and 26 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

**The whole of this document should be read. Your attention is drawn in particular to Part II of this document entitled "Risk Factors", which describes certain risks associated with an investment in Tekmar Group plc.**

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# Tekmar Group plc

*(incorporated and registered in England and Wales under the Companies Act 2006 with registered number 11383143)*

**Placing of 47,536,789 Shares at 130 pence per Share**

**and**

**Admission to trading on AIM**



**Sole Global Coordinator  
and Broker**



**Nominated Adviser**

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The company is offering 47,536,789 Shares for subscription pursuant to the Placing. All of the Shares, including the Placing Shares, will, on Admission, rank equally in all respects, including the right to receive all dividends or other distributions declared, made or paid on the Shares after Admission.

Grant Thornton UK LLP, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for the Company as nominated adviser in connection with the Placing and Admission, and will not be responsible to any other person for providing the protections afforded to customers of Grant Thornton or advising any other person in connection with the Placing and Admission. Grant Thornton's responsibilities as the Company's nominated adviser under the AIM Rules for Companies and the AIM Rules for Nominated Advisers will be owed solely to London Stock Exchange and not to the Company, the Directors or to any other person in respect of such person's decision to subscribe for or acquire Placing Shares in reliance on any part of this document. Apart from the responsibilities and liabilities, if any, which may be imposed on Grant Thornton by the FSMA or the regulatory regime established under it, Grant Thornton does not accept any responsibility whatsoever for the contents of this document, and no representation or warranty, express or implied, is made by Grant Thornton with respect to the accuracy or completeness of this document or any part of it. Joh. Berenberg, Gossler & Co. KG, a firm which is authorised by the German Federal Financial Supervisory Authority and subject to limited regulation in the United Kingdom by the Financial Conduct Authority, is acting exclusively for the Company as sole global coordinator and broker in connection with the Placing and Admission, and will not be responsible to any other person for providing the protections afforded to customers of Berenberg or advising any other person in connection with the Placing and Admission. Apart from the responsibilities and liabilities, if any, which may be imposed on Berenberg by the FSMA or the regulatory regime established under it, Berenberg does not accept any responsibility whatsoever for the contents of this document, and no representation or warranty, express or implied, is made by Berenberg with respect to the accuracy or completeness of this document or any part of it.

This document does not constitute an offer to sell, or the solicitation of an offer to buy or subscribe for, securities in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for publication or distribution in or into the United States, Canada, Australia, New Zealand, South Africa or Japan, nor in any country or territory where to do so may contravene local securities laws or regulations. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions. The Shares have not been and will not be registered under the US Securities Act nor under the applicable securities laws of any State of the United States or any province or territory of Canada, Australia, New Zealand, South Africa or Japan. Accordingly, the Shares may not be offered or sold directly or indirectly in or into the United States, Canada, Australia, New Zealand, South Africa, Japan or to any resident of the United States, Canada, Australia, New Zealand, South Africa or Japan. No public offering of securities is being made in the United States. The Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or any other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

Holding Shares may have implications for overseas shareholders under the laws of the relevant overseas jurisdictions. Overseas investors should inform themselves about and observe any applicable legal requirements. It is the responsibility of each overseas shareholder to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

Copies of the document will be available free of charge during normal business hours on any day (except Saturdays, Sundays and public holidays) at the registered offices of the Company and the offices of Grant Thornton at 30 Finsbury Square, London, EC2P 2YU for one month from the date of this document. This document is also available on the Company's website, [www.tekmar.co.uk](http://www.tekmar.co.uk).

## IMPORTANT INFORMATION

### General

This document should be read in its entirety before making any decision to subscribe for Placing Shares. Prospective investors should rely only on the information contained in this document. No person has been authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company, Grant Thornton or Berenberg or any of their respective affiliates, officers, directors, partners, employees or agents. Without prejudice to the Company's obligations under the AIM Rules for Companies, neither the delivery of this document nor any subscription made under this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company or the Group since the date of this document or that the information contained herein is correct as at any time subsequent to its date.

Prospective investors in the Company must not treat the contents of this document or any subsequent communications from the Company, Grant Thornton or Berenberg or any of their respective affiliates, officers, directors, partners, employees or agents as advice relating to legal, taxation, accounting, regulatory, investment or any other matters.

If you are in any doubt about the contents of this document or the action you should take, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent adviser who is authorised under the FSMA if you are in the United Kingdom, or, if outside the United Kingdom, from another appropriately authorised independent adviser.

The Company does not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media or any other person regarding the Placing, the Company and/or its subsidiaries. The Company makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

As required by the AIM Rules for Companies, the Company will update the information provided in this document by means of a supplement to it if a significant new factor that may affect the evaluation of the Placing by prospective investors occurs prior to Admission or if it is noted that this document contains any mistake or substantial inaccuracy. This document and any supplement thereto will be made public in accordance with the AIM Rules for Companies.

This document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation, by the Company, the Directors, Grant Thornton, Berenberg or any of their respective representatives, that any recipient of this document should subscribe for or purchase any of the Shares. Prior to making any decision as to whether to subscribe for or purchase any Shares, prospective investors should read the entirety of this document and, in particular, the section headed "Risk Factors".

Investors should ensure that they read the whole of this document and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination (or an examination by the prospective investor's FSMA-authorised or other appropriate advisers) of the Company and the terms of this document, including the risks involved. Any decision to purchase Shares should be based solely on this document and the prospective investor's own (or such prospective investor's FSMA-authorised or other appropriate advisers') examination of the Company.

Investors who subscribe for Placing Shares in the Placing will be deemed to have acknowledged that: (i) they have not relied on Grant Thornton, Berenberg or any person affiliated with either of them in connection with any investigation of the accuracy of any information contained in this document for their investment decision; (ii) they have relied only on the information contained in this document; and (iii) no person has been authorised to give any information or to make any representation concerning the Company or the Shares (other than as contained in this document) and, if given or made, any such other

information or representation has not been relied upon as having been authorised by or on behalf of the Company, the Directors, Grant Thornton or Berenberg.

None of the Company, the Directors, Grant Thornton, Berenberg or any of their respective representatives makes any representation to any subscriber of Placing Shares regarding the legality of an investment by such subscriber.

In connection with the Placing, Grant Thornton, Berenberg and any of their respective affiliates, acting as investors for their own accounts, may acquire Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Shares and other securities of the Company or related investments in connection with the Placing or otherwise. Accordingly, references in this document to the Shares being offered, subscribed, acquired, placed or otherwise dealt with should be read as including any offer to, or subscription, acquisition, dealing or placing by, Grant Thornton, Berenberg or any of their respective affiliates acting as investors for their own accounts. Neither Grant Thornton nor Berenberg intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

Grant Thornton, Berenberg and any of their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory or other services to the Company, for which they would have received customary fees. Grant Thornton, Berenberg and any of their respective affiliates may provide such services to the Company and any of its affiliates in the future.

#### **Notice to prospective investors in the EEA**

In relation to each Member State of the EEA, no Shares have been offered or will be offered pursuant to the Placing to the public in that Member State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Member State, all in accordance with the Prospectus Directive, except that offers of Shares to the public may be made at any time under the following exemptions under the Prospectus Directive:

- (1) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (2) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in such Member State; or
- (3) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Member State and each person who initially acquires any Shares or to whom any offer is made under the Placing will be deemed to have represented, acknowledged and agreed that it is a **“qualified investor”** within the meaning of the law of the Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression **“to the public”** in relation to any offer of Shares in any Member State means a communication in any form and by any means presenting sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

#### **Notice to prospective investors in the United Kingdom**

This document is being distributed in the United Kingdom where it is directed only at (i) persons having professional experience in matters relating to investments, i.e., investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the **“FPO”**); (ii) high net-worth companies, unincorporated associations and other bodies within the meaning of Article 49 of the FPO; and (iii) persons to whom it is otherwise lawful to distribute it without any obligation to issue a prospectus approved by competent regulators. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of person and in any event, and under no circumstances should persons of any other description rely on or act upon the contents of this document.

## **Forward looking statements**

Certain statements in this document are or may constitute forward looking statements, including statements about current beliefs and expectations of the Directors. In particular, the words “expect”, “anticipate”, “estimate”, “may”, “should”, “plan”, “intend”, “will”, “would”, “could”, “target”, “believe” and similar expressions (or in each case their negative and other variations or comparable terminology) can be used to identify forward looking statements. Such forward looking statements are based on the Board’s expectations of external conditions and events, current business strategy, plans and the other objectives of management for future operations, and estimates and projections of the Group’s financial performance. Though the Board believes these expectations to be reasonable at the date of this document they may prove to be erroneous. Forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, achievements or performance of the Group, or the industry in which the Group operates, to be materially different from any future results, achievements or performance expressed or implied by such forward looking statements.

Any forward looking statement in this document speaks only as of the date it is made. Save as required by law or the AIM Rules for Companies, the Company undertakes no obligation to publicly release the results of any revisions to any forward looking statements in this document that may occur due to any change in the Board’s expectations or in order to reflect events or circumstances after the date of this document.

Any forward looking statement in this document based on past or current trends and/or activities of the Group should not be taken as a representation or assurance that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or to imply that the earnings of the Group for the current year or future years will match or exceed the historical or published earnings of the Group.

## **Presentation of financial information**

The consolidated historical financial information of the Group for the three years ended 31 March 2018 set out in Part III of this document has been prepared in accordance with IFRS.

The Group has historically reported under UK Generally Accepted Accounting Practices (“**UK GAAP**”), and financial information has been prepared under IFRS for the first time for the purpose of presentation in this document. An explanation of the changes to the Group’s financial information on transition from UK GAAP to IFRS is presented in note 25 of the Historical Financial Information.

Certain non-IFRS measures such as EBITDA and Adjusted EBITDA have been included in the financial information contained in this document as the Directors believe that these present important alternative measures with which to assess the Group’s performance. These measures should not be considered as an alternative to revenue and operating profit, which are IFRS measures, or to other measures of performance under IFRS. In addition, the Company’s calculation of EBITDA and Adjusted EBITDA may be different from the calculation used by other companies and therefore comparability may be limited.

## **Rounding**

The financial information and certain other figures in this document have been subject to rounding adjustments. Therefore, the sum of numbers in a table (or otherwise) may not conform exactly to the total figure given for that table. In addition, certain percentages presented in this document reflect calculations based on the underlying information prior to rounding and accordingly may not conform exactly to the percentages that would be derived if the relevant calculations were based on the rounded numbers.

## **Market, industry and economic data**

Unless the source is otherwise identified, the market, industry and economic and industry data and statistics in this document constitute the Directors’ estimates, using underlying data from third parties. The Company has obtained market and economic data and certain industry statistics from internal reports, as well as from third-party sources as described in the footnotes to such information. The Company confirms that all third-party information set out in this document has been accurately reproduced and that, so far as the Company is aware and has been able to ascertain from information published by the relevant third-party, no facts have been omitted which would render the reproduced information inaccurate or

misleading. Where third-party information has been used in this document, the source of such information has been identified. Such third-party information has not been audited or independently verified.

This document includes market share, industry data and forecasts that the Company has obtained from industry publications, surveys and internal company sources. As noted in this document, the Company has obtained market and industry data relating to the Group's business from providers of industry data and has obtained market data from the following reports:

- Bloomberg New Energy Finance (January 2018)
- MAKE – Global Offshore LCOE Model and Reduction trend overview (January 2017)
- Wind Europe – Unleashing Europe's offshore wind potential (June 2017)

Market and industry data is inherently predictive and speculative, and is not necessarily reflective of actual market conditions. Statistics in such data are based on market research, which itself is based on sampling and subjective judgements by both the researchers and the respondents, including judgements about what types of products and transactions should be included in the relevant market. The value of comparisons of statistics for different markets is limited by many factors, including: (i) the markets are defined differently; (ii) the underlying information was gathered by different methods; and (iii) different assumptions were applied in compiling the data. Consequently, the industry publications and other reports referred to above generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and, in some instances, these reports and publications state expressly that they do not assume liability for such information. Specifically, neither Grant Thornton nor Berenberg have authorised the contents of, or any part of, this document and accordingly no liability whatsoever is accepted by Grant Thornton or Berenberg for the accuracy or completeness of any market or industry data which is included in this document.

#### **No incorporation of website information**

The contents of the Company's website, any website mentioned in this document or any website directly or indirectly linked to these websites have not been verified and do not form part of this document, and prospective investors should not rely on such information.

#### **Notice to Distributors**

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the Product Governance Requirements) may otherwise have with respect thereto, the Shares have been subject to a product approval process, which has determined that the Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**").

Notwithstanding the Target Market Assessment, distributors should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Placing. Furthermore, it is noted that, notwithstanding the Target Market Assessment, Berenberg will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Shares and determining appropriate distribution channels.

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## ADMISSION STATISTICS AND EXPECTED TIMETABLE

### Admission Statistics

Placing Price per Placing Share	130 pence
Number of Existing Shares in issue as at the date of this document <sup>(1)</sup>	1
Number of Placing Shares	47,536,789
Placing Shares expressed as a percentage of the Enlarged Share Capital	95.1 per cent.
Number of Consideration Shares to be issued to the Management Sellers on Admission pursuant to the Acquisition Agreement	2,360,646
Number of Consideration Shares to be issued on Admission pursuant to the AgileTek SPA	102,564
Consideration Shares expressed as a percentage of the Enlarged Share Capital	4.9 per cent.
Number of Shares in issue following the Placing, the Acquisition, completion of the AgileTek SPA and Admission	50,000,000
Market capitalisation of the Company at the Placing Price following Admission <sup>(2)</sup>	£65 million
Number of Shares in respect of which Options are outstanding on Admission	1,750,000
Fully diluted number of Shares immediately following Admission <sup>(3)</sup>	51,750,000
Gross proceeds of the Placing receivable by the Company	£61.8 million
Estimated net proceeds of the Placing retained by the Company <sup>(4)</sup>	£9.4 million
TIDM	TGP
ISIN	GB00BDFGGK53
SEDOL	BDFGGK5
Legal Entity Identifier ("LEI")	213800839UQKQTV33E71

#### Notes:

- (1) Excluding the Redeemable Shares.
- (2) The market capitalisation of the Company at any given time will depend on the market price of the Shares at that time. There can be no assurance that the market price of a Share will equal or exceed the Placing Price.
- (3) Assuming all Options were capable of exercise, and had been exercised, as at Admission and including the Consideration Shares.
- (4) After deduction of cash consideration payable under the Acquisition Agreement, repayment of Group Debt, estimated commissions, fees and expenses payable by the Company.

### Expected Timetable

Publication of this document	14 June 2018
Completion of the Acquisition Agreement and the AgileTek SPA	20 June 2018
Admission and commencement of dealings in the Enlarged Share Capital on AIM	20 June 2018
Placing Shares credited to CREST accounts (where applicable)	8.00 a.m. on 20 June 2018
Dispatch of definitive share certificates for Placing Shares (where applicable)	by 27 June 2018

*All times are London, UK times. Each of the times and dates in the above timetable is indicative only and is subject to change without further notice.*

## COMPANY OFFICERS, REGISTERED OFFICE AND ADVISERS

<b>Directors</b>	Alasdair MacDonald, <i>Independent Non-Executive Chairman</i> James Thomas Ritchie-Bland, <i>Chief Executive Officer</i> Susan Ann Hurst, <i>Chief Financial Officer</i> Christopher John Gill, <i>Independent Non-Executive Director</i> Julian Andrew Brown, <i>Independent Non-Executive Director</i>
<b>Company secretary</b>	Susan Hurst
<b>Registered office</b>	Unit 1, Park 2000 Millennium Way Aycliffe Business Park Newton Aycliffe County Durham DL5 6AR
<b>Website</b>	<a href="http://www.tekmar.co.uk">www.tekmar.co.uk</a>
<b>Nominated Adviser</b>	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU
<b>Sole Global Coordinator and Broker</b>	Joh. Berenberg, Gossler & Co. KG, London Branch 60 Threadneedle Street London EC2R 8HP
<b>Legal advisers to the Company</b>	Womble Bond Dickinson (UK) LLP 4 More London Riverside London SE1 2AU
<b>Legal advisers to the Nominated Adviser and Sole Global Coordinator and Broker</b>	DWF LLP 1 Scott Place, 2 Hardman Street Manchester M3 3AA
<b>Reporting Accountant</b>	Grant Thornton UK LLP No 1 Whitehall Riverside Leeds LS1 4BN
<b>Auditors</b>	KPMG LLP Quayside House 110 Quayside Newcastle Upon Tyne NE1 3DX
<b>IFRS accounting advisers</b>	Bennett Brooks & Co Limited 50 Eastcastle Street London W1W 8EA
<b>Registrars</b>	Equiniti Limited Aspect House Spencer Road Lancing Business Park West Sussex BN99 6DA
<b>PR advisers to the Company</b>	Belvedere Communications Enterprise House 1-2 Hatfields London SE1 9PG

## DEFINITIONS AND GLOSSARY

<b>Acquisition</b>	the proposed acquisition of the entire issued share capital of TL by the Company pursuant to the terms of the Acquisition Agreement
<b>Acquisition Agreement</b>	the conditional share purchase agreement dated 14 June 2018 between (1) the Company (2) the Sellers (3) TL and (4) THL relating to the transfer of the entire issued share capital in TL to the Company
<b>Adjusted EBITDA</b>	earnings before interest, tax, depreciation and amortisation, and non-recurring and exceptional items
<b>Admission</b>	the admission of the Enlarged Share Capital to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules for Companies
<b>AgileTek</b>	AgileTek Engineering Limited
<b>AgileTek Shares</b>	20 ordinary shares of £1 each in the capital of AgileTek held by Steven Rossiter
<b>AgileTek SPA</b>	the conditional share purchase agreement dated 14 June 2018 between (1) the Company (2) THL (3) TL and (4) Steven Rossiter relating to the transfer of the AgileTek Shares to THL
<b>AIM</b>	the AIM market of the London Stock Exchange
<b>AIM Rules for Companies</b>	the AIM Rules for Companies published by the London Stock Exchange from time to time (including, without limitation, any guidance notes or statements of practice) and those other rules of the London Stock Exchange which govern the admission of securities to trading on, and the regulation of AIM
<b>AIM Rules for Nominated Advisers</b>	the AIM Rules for Nominated Advisers published by the London Stock Exchange from time to time
<b>API</b>	American Petroleum Institute
<b>Berenberg</b>	Joh. Berenberg, Gossler & Co. KG, London Branch, broker to the Company and sole global coordinator
<b>Board</b>	the board of Directors of the Company
<b>Brent Crude</b>	a trading classification of sweet light crude oil that serves as a benchmark price for purchases of oil worldwide
<b>CAGR</b>	compounded annual growth rate
<b>Cash Consideration</b>	the cash consideration payable by the Company to the Sellers under the Acquisition Agreement
<b>Companies Act</b>	the Companies Act 2006 (as amended)
<b>Company or Tekmar</b>	Tekmar Group plc
<b>Consideration Shares</b>	the 2,360,646 Shares to be issued to the Management Sellers pursuant to the Acquisition Agreement and the 102,564 Shares to be issued to Steven Rossiter pursuant to the AgileTek SPA
<b>CPS</b>	cable protection system

<b>CREST</b>	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form, operated by Euroclear UK & Ireland Limited
<b>CREST Regulations</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)
<b>Directors</b>	the directors of the Company as at the date of this document, whose names appear on page 8 of this document
<b>EBT Beneficiaries</b>	James Ritchie-Bland, Susan Hurst, Jack Simpson, Russell Edmondson and Charlie Sullivan
<b>EEA</b>	the European Economic Area
<b>Elysian</b>	Elysian Capital I LP acting by its general partner Elysian Capital General Partner LP, acting by its general partner Elysian Capital GP (Scotland) Limited
<b>Elysian Loan Notes</b>	the £3,610,526 (nominal) Loan Notes issued by THL to Elysian on 30 September 2011
<b>Enlarged Share Capital</b>	the issued share capital of the Company immediately following Admission, comprising the Existing Shares (but excluding the Redeemable Shares), the Consideration Shares and the Placing Shares
<b>Escrow Agreement</b>	the escrow agreement between the Escrow Parties dated 14 June 2018 relating to the completion and release of the Escrow Documents on Admission
<b>Escrow Documents</b>	the documentation held by Womble Bond Dickinson (UK) LLP as escrow agent under the terms of the Escrow Agreement and required to effect the Reorganisation and the Acquisition including (amongst others) the stock transfer forms in respect of the TL Shares and the AgileTek Shares, the declarations of trust signed by the Sellers in respect of the TL Shares and signed by Steven Rossiter in respect of the AgileTek Shares, the TL Subscription Letter, the THL Subscription Letter and the stock transfer forms in respect of the TL Loan Notes and the THL Loan Notes
<b>Escrow Parties</b>	(1) the Sellers (2) TL (3) THL (4) Tekmar Energy (5) Agiletek (6) Steven Rossiter (7) Womble Bond Dickinson (UK) LLP
<b>EU</b>	the European Union
<b>Euroclear</b>	Euroclear UK & Ireland Limited, the operator of CREST
<b>Executive Directors</b>	the executive Directors of the Company as at the date of this document, namely James Ritchie-Bland and Susan Hurst
<b>Existing Shares</b>	the 5,000,000 Redeemable Shares and the 1 Share in issue immediately prior to the issuance of the Placing Shares, the issuance of the Consideration Shares and Admission
<b>FCA or Financial Conduct Authority</b>	the Financial Conduct Authority of the United Kingdom
<b>Flowline</b>	a flexible pipe laid on the seabed linking subsea structures for the transportation of crude oil or natural gas
<b>FSMA</b>	the Financial Services and Markets Act 2000, as amended

<b>Grant Thornton</b>	Grant Thornton UK LLP
<b>Group</b>	as from Admission means the Company and its subsidiaries, and prior to Admission means TL and its subsidiaries
<b>Group Debt</b>	the amounts of principal and accrued interest owed by THL under the Elysian Loan Notes, the Opera Finance Loan Notes and the Term Loan
<b>GW</b>	gigawatt, a unit of power
<b>Historical Financial Information</b>	the audited consolidated financial information of the Group for the three years ended 31 March 2018, as set out in Section B of Part III of this document
<b>HMRC</b>	Her Majesty's Revenue and Customs
<b>HSQE</b>	health, safety, quality and environmental
<b>IFRS</b>	International Financial Reporting Standards as endorsed by the European Union
<b>Investment Agreement</b>	the investment agreement made between TL, THL, Gary Ritchie-Bland, the Managers (as defined in the Investment Agreement), Elysian and Opera Finance dated 30 September 2011, as amended and restated on 27 March 2013 and 13 March 2014
<b>IPO Plan</b>	the Tekmar Group plc IPO Plan under which one-off awards will be granted to key executives on the date of Admission
<b>J-Tube</b>	a hollow steel tube that has the shape of a letter "J" attached to the outside of a monopile or wind turbine platform to act as a conduit for the power cable that runs from the wind turbine to the seabed
<b>Loan Notes</b>	A Investor Fixed Rate Unsecured Loan Notes 2021 and the Payment in Kind Notes of THL constituted by a deed dated 30 September 2011
<b>Lock-in Agreement</b>	the lock-in agreement between the Company, the Management Sellers, Grant Thornton and Berenberg dated 14 June 2018
<b>London Stock Exchange</b>	London Stock Exchange plc
<b>LTIP</b>	the Tekmar Group plc Long Term Incentive Plan under which awards will be granted to employees selected by the Board
<b>MAKE</b>	MAKE Consulting A/S, now known as Wood Mackenzie
<b>MAR or Market Abuse Regulation</b>	the EU Market Abuse Regulation (Regulation 596/2014)
<b>Management Sellers</b>	James Ritchie-Bland, Gary Ritchie-Bland, Susan Hurst, Jack Simpson, Terence Sheldrake, Alasdair MacDonald, Russell Edmonson, and Charlie Sullivan
<b>Member State</b>	a member state of the EEA
<b>Monopile</b>	a large-diameter, fixed single column foundation structure to support the above-surface wind turbine typically used in shallow water
<b>MWh</b>	megawatt hour, a unit for measuring power

<b>New Shares</b>	the 49,999,999 new Shares to be allotted and issued by the Company in connection with the Placing, the Acquisition and the AgileTek SPA
<b>Non-Executive Directors</b>	the non-executive Directors of the Company (including the Chairman) as at the date of this document, namely Alasdair MacDonald, Christopher Gill and Julian Brown
<b>Official List</b>	the Official List of the FCA in its capacity as the competent authority for the purposes of Part VI of the FSMA
<b>Opera Finance</b>	Opera Finance International S.A.
<b>Opera Finance Loan Notes</b>	the £1,289,474 (nominal) Loan Notes issued by THL to Opera Finance on 30 September 2011
<b>Options</b>	options over Shares
<b>Offshore Wind Farm division</b>	the division of the Group's business focused on the offshore wind farm industry
<b>Placing</b>	the conditional placing of the Placing Shares at the Placing Price pursuant to the Placing Agreement
<b>Placing Agreement</b>	the conditional agreement entered into on or about the date of this document between (1) the Company, (2) Grant Thornton, (3) Berenberg (4) the Directors and (5) the Sellers in relation to the Placing of the Placing Shares, the Acquisition and Admission, details of which are set out in paragraph 18.8 of Part V of this document
<b>Placing Price</b>	130 pence per Placing Share
<b>Placing Shares</b>	47,536,789 new Shares to be allotted and issued at the Placing Price by the Company pursuant to the Placing
<b>Preference Shares</b>	the preference shares of £0.001 each in the capital of TL
<b>Prospectus Directive</b>	Directive 2003/71/EC of the European Parliament and of the Council of the European Union (as amended, and including any relevant implementing measures in a Member State)
<b>Prospectus Rules</b>	the prospectus rules made by the FCA under Part VI of the FSMA, as amended
<b>QCA</b>	the Quoted Companies Alliance
<b>QCA Code</b>	the QCA Corporate Governance Code published in 2018
<b>Redeemable Shares</b>	the redeemable shares of 1 pence each (£0.01) in the capital of the Company with the rights as described in Paragraph 4.3 of Part V of this document
<b>Reorganisation</b>	the reorganisation of the Group with effect from Admission, as further described in paragraph 3 in Part V of this document
<b>Riser</b>	rigid or flexible conduit to transfer materials (for example crude oil or natural gas) from the seafloor to production and drilling facilities at the water's surface, as well as materials (for example injection fluids, control fluids) from the facility to the seafloor
<b>SAYE Plan</b>	an all-employee share plan, The Tekmar Group plc SAYE Plan

<b>Sellers</b>	Elysian Capital GP (Scotland) Limited (acting as general partner of Elysian Capital General Partner LP acting as general partner Elysian Capital I LP), Opera Finance International S.A., James Ritchie-Bland, Colin Turner, Gary Ritchie-Bland, Susan Hurst, Jack Simpson, Terrence Sheldrake, Alasdair MacDonald, Russell Edmonson, Charlie Sullivan, Tekmar EBT
<b>Shareholders</b>	a holder of Shares following Admission
<b>Share Option Schemes</b>	the Company's employee share schemes, comprising the IPO Plan, the LTIP, the SIP and the SAYE Plan, under which share options, awards or joint interests in shares and restricted stock units will be granted to selected Executive Directors and employees as further described in paragraph 10 in Part V of this document
<b>Shares</b>	ordinary shares of 1 pence each (£0.01) in the capital of the Company
<b>SIP</b>	an all-employee share plan, The Tekmar Group Share Incentive Plan
<b>Subsea division</b>	the division of the Group's business focused on the oil and gas industry
<b>Subsidiaries</b>	has the meaning given in the Companies Act
<b>SURF</b>	Subsea Umbilicals, Risers and Flowlines
<b>Tekmar EBT</b>	Tekmar EBT Limited
<b>Tekmar Energy</b>	Tekmar Energy Limited
<b>Tekmar Polyurethane</b>	Tekmar Polyurethane Limited
<b>Tekmar Subsea</b>	Tekmar Subsea Limited
<b>Term Loan</b>	the £11,000,000 term loan facility dated 30 September 2011 between (i) THL (ii) Tekmar Polyurethane (iii) Tekmar Energy (iv) TL and (v) Opera Finance as amended by amendment deeds dated 5 April 2012, 4 July 2012, 27 March 2013, 20 May 2015 and 16 March 2017
<b>TL</b>	Tekmar Limited
<b>TL Loan Notes</b>	£200,000 (nominal) unsecured loan notes issued by TL to Steven Rossiter under the Agiletex SPA
<b>TL Shares</b>	the entire issued share capital in TL
<b>TL Subscription Letter</b>	the subscription letter pursuant to which the Company conditionally subscribes for ordinary shares in the capital of TL
<b>THL</b>	Tekmar Holdings Limited
<b>THL Loan Notes</b>	£200,000 (nominal) unsecured loan notes issued by THL to Steven Rossiter under the AgileTek SPA
<b>THL Subscription Letter</b>	the subscription letter pursuant to which TL conditionally subscribes for ordinary shares in the capital of THL
<b>Takeover Panel</b>	the UK Panel on Takeovers and Mergers
<b>UK</b>	the United Kingdom of Great Britain and Northern Ireland
<b>Umbilical</b>	subsea umbilical system providing vital supply (such as electric power, hydraulic power) and control link from platforms or topside vessels to subsea oil and gas equipment

**Uncertificated or uncertificated form**

Shares recorded on the register of members of the Company as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of an instruction issued in accordance with the rules of CREST

**United States or US**

the United States of America, its territories and possessions, any State of the United States and the District of Columbia

**£ and p**

United Kingdom pounds Sterling and pence, respectively

**\$**

United States dollars

**€**

euros

# PART I

## INFORMATION ON THE GROUP

### 1. Introduction

Tekmar is a market-leading technology provider of protection systems for subsea cable, umbilical and flexible pipes and offshore engineering services. Tekmar's subsea products address the global offshore wind and subsea oil and gas markets and, to a lesser extent, the wave and tidal markets.

The Group delivers a turnkey package to its clients from the initial stage of technical engineering through to detailed design, product development, product testing, manufacturing, project management, client personnel training, offshore installation support and remedial solutions for repair. The Group is not responsible for the offshore installation and vessel marine activity. The Group comprises two primary divisions both supported by AgileTek, which provides subsea analysis, simulation and engineering consultancy services:

- the Offshore Wind Farm division which focuses on the provision of subsea protection for power transmission cables from and between offshore wind turbines. The Group produces several products and has to date supplied over 6,170 cable protection systems to 63 named projects on three continents, more than any other supplier globally; and
- the Subsea division, which focuses primarily on the provision of subsea protection for umbilicals and flexible pipes to the oil and gas market.

The Group reported revenue of £21.9 million and Adjusted EBITDA of £4.9 million for the year ended 31 March 2018, representing a CAGR from the year ended 31 March 2016 of 12.7 per cent. and 28.5 per cent. respectively.

The Company is seeking to raise approximately £61.8 million (before expenses) through the Placing, the net proceeds of which will be used principally to: (i) fund the cash consideration payable under the Acquisition Agreement in order to acquire TL; (ii) repay the Group Debt; and (iii) fund future expansion and acquisitions. Further details of the Placing are set out in paragraph 15 of this Part I.

### 2. History and background

The business was founded by two commercial divers in 1985 in Norway, offering equipment design and consultancy services within the subsea oil and gas sector. In 1995, the business relocated to the UK and through Tekmar Subsea broadened its services to offer a turnkey solution for the supply of bespoke marine and subsea equipment.

Noting the high demand for polyurethane based products, and in order to control the quality of the products they were supplying, the directors of Tekmar Subsea started producing their own polyurethane based products in 2003, subsequently incorporating Tekmar Polyurethane in 2007, which was acquired by Tekmar Energy in 2009. Tekmar Polyurethane manufactured polymers based on a demand for increased quality control for the subsea environment, providing products for subsea umbilicals, risers and flowlines. In 2007, responding to growing demand in the offshore wind sector, Tekmar Energy was formed by the founder of Tekmar Subsea, as a separate company to develop a growth strategy focused on the growing offshore wind sector. In the same year the Hooksiel demonstration site was developed off the coast of Germany to be used for testing and training prior to the installation of BARD Offshore 1, the first commercial offshore wind farm project in Germany. In response to a competitive tender to produce a cable protection system that was innovative and cost effective, Tekmar Energy used the know-how developed within Tekmar Subsea to innovate the first generation of what became the patented TekLink® cable protection system ("CPS"). The BARD Offshore 1 contract was awarded to Tekmar Energy in 2009 and represented the Group's first contract in the offshore wind farm market.

The intellectual property generated from the development of the TekLink® CPS was filed in 2008 by Tekmar Energy. James Ritchie-Bland was appointed as Operations Director of Tekmar Energy in 2009, with the objective of growing the business.

Tekmar Energy acquired Tekmar Polyurethane in 2009, bringing manufacturing capabilities into the Group.

In September 2011, Elysian and Opera Finance supported a management buy-out of Tekmar Energy, led by James Ritchie-Bland. This provided an exit for the original shareholders and brought investment into the Group to enable it to capitalise on the expected long-term growth in the offshore wind farm market, as well as to diversify the products and services offered by the Group to de-risk the business. This also provided the Group with the opportunity to improve its operational and business systems, creating a solid platform for future growth.

In 2015, AgileTek was launched to enable the Group to become a total solution provider, delivering independent engineering and consultancy support both to Tekmar Energy and to developers, installers and manufacturers operating in the offshore energy industry. With effect from Admission, the Company will become the holding company for the Group. Further details of the Reorganisation are set out in paragraph 3 of Part V of this document.

TekLink® CPS, now in its eighth generation of development, is now the recognised global solution for offshore wind cable protection, accounting for 74 per cent. of the European offshore wind market as at 31 March 2018.

The Group continues to develop its overseas capabilities, most recently delivering growth in North America, the Middle East and the Asia Pacific region. Building on its leading position in the offshore wind market, the Group'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.

### **3. Trading activities**

Tekmar's subsea products address the global offshore wind and subsea oil and gas markets and, to a lesser extent, the wave and tidal markets. The Group delivers a turnkey package to its clients from the initial stage of technical engineering through to detailed design, product development, product testing, manufacturing, project management, client personnel training, offshore installation support and remedial solutions for repair. The Group is not responsible for the offshore installation and vessel marine activity.

The Group comprises two primary divisions, (i) the Offshore Wind Farm division, focusing on the provision of subsea protection for power transmission cables from and between offshore wind turbines, and (ii) the Subsea division, focusing primarily on the provision of subsea protection for umbilicals and flexible pipes to the oil and gas market. Both divisions are supported by AgileTek, which provides subsea analysis, simulation and engineering consultancy services. The Directors estimate that the existing market size addressed by Tekmar's products and services is in the region of £155 million.

#### ***Offshore Wind Farm division***

Tekmar is a market leader in Europe in the manufacture and supply of cable protection systems for the offshore wind farm sector. The Group produces several products and has to date supplied 63 customers with over 6,170 cable protection systems for 63 named projects on three continents, more than any other supplier globally. Between 2011 and 2017, the Group protected 2,826 turbines out of a total of 3,834 across Europe, representing a 74 per cent. market share. Since its inception, as at 31 March 2018, the Group has been awarded 87 contracts with the value of these contracts ranging from £25,000 to £8 million. A typical contract would be valued at approximately £2 million.

The market demand for the Group's products is driven by the significant savings made by adequately protecting subsea cables to prevent cable failure. Subsea cables and flexible pipes are highly susceptible to damage from mechanical forces created by the subsea environment (for example, turbulence and currents causing abrasion, stress, fatigue, and ultimately breakage). The Directors estimate that a single subsea power transmission cable failure could cost approximately £5.7 million, representing the lost revenue from non-transmission of generated power and the cost of installation of a new power cable. Tekmar's TekLink® CPS represents a fraction of the cost of a subsea cable failure, and an immaterial cost as compared to the overall capital investment of an offshore wind farm, making the cost benefit decision by a customer for the use of the TekLink® CPS solution very straightforward.

By way of example, a 300 MW offshore wind farm with 46 wind turbines would have a capital cost in the region of £1.5 billion. The cost of cables and cable installation would be in the region of £70 million, or

£1.5 million per wind turbine. The cost of cable protection would be approximately £1.5 million or £32,000 per wind turbine.

For the year ended 31 March 2018, the Offshore Wind Farm division generated revenue of £18.1 million, representing 83 per cent. of Group revenue (2017: £17.6 million, 91 per cent.), of which 61 per cent. was represented by the Group’s primary cable protection product, TekLink® CPS.

The Group has clear long-term visibility on potential offshore wind farm projects, relating to new wind farms or extensions to existing wind farms, due to the large scale nature of such projects. The Offshore Wind Farm division has a current sales pipeline of actively tendered projects with a potential aggregate sales value of £69 million, represented by 60 potential projects. Tekmar tracks projects for years in advance, as they proceed through the consenting process, anywhere from three to ten years, and is currently tracking an additional 210 offshore wind farm projects. In the three year period to 31 March 2018, the Group has delivered a conversion rate of tenders won to sales enquiries in excess of 70 per cent.

*Offshore Wind Farm products*

The Offshore Wind Farm division offers the following key products:

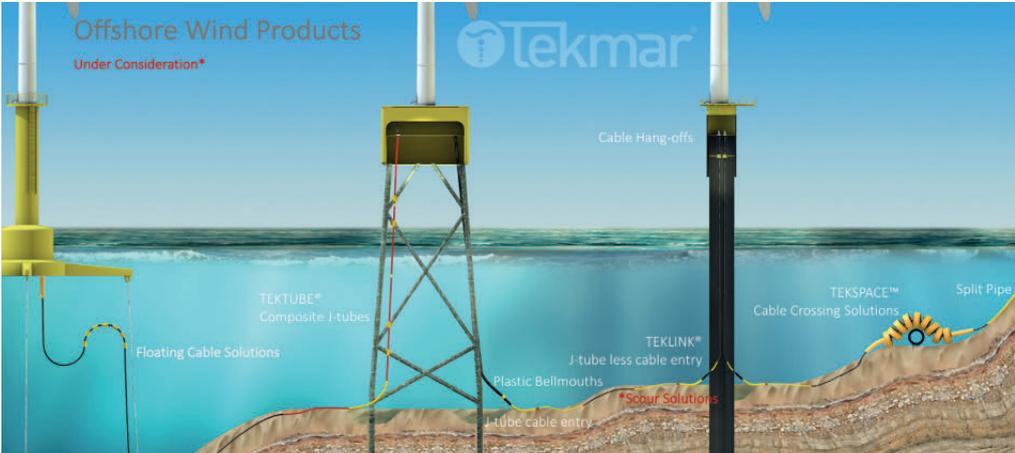


Figure 1: Offshore wind farm products

- **TekLink® CPS** – TekLink® CPS replaces the need for a conventional steel J-Tube, which traditionally protects power cables when they enter the subsea foundations of an offshore wind turbine. The TekLink® CPS solution offers full protection for power cables, from the point of hang-off at the top of the turbine foundation through to burial on the seabed, during installation and over their service life. The system is specifically designed for offshore installation without the need for divers, which reduces installation time and cost. TekLink® CPS represented approximately 79 per cent. of the Group’s aggregate revenues for the ten financial years from 2009 to 31 March 2018.

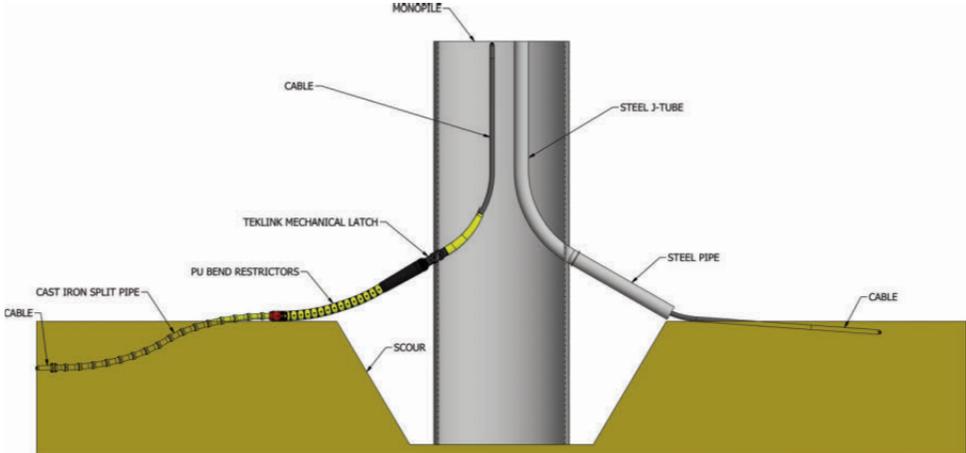
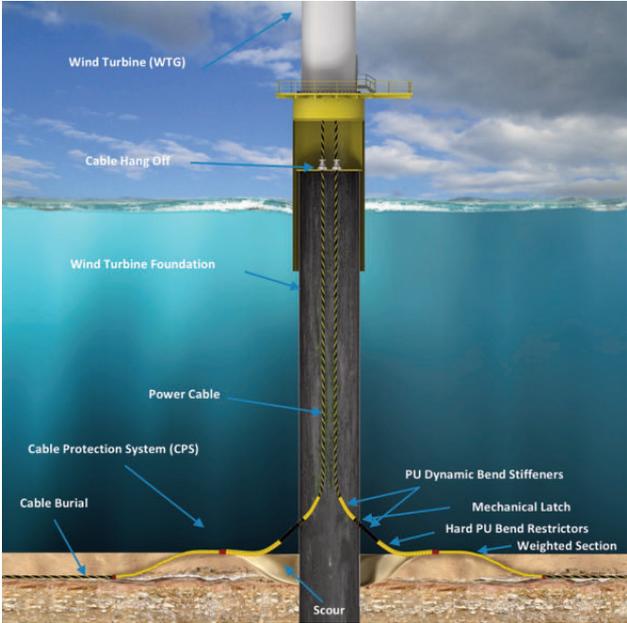


Figure 2: TekLink® CPS compared to a traditional J-Tube

TekLink® CPS secured its market leading position by not only addressing a market need, but also by enhancing the operational effectiveness of the subsea cable installation process to save customers time and money. Whereas subsea protection in the mature oil and gas market demands more bespoke solutions, the Group’s involvement in the formative years of the offshore wind farm market has ensured that its cable protection system has become the reference for cable protection within this market, enabling Tekmar to offer a more standardised product to a wide range of customers. This has resulted in Tekmar holding a significant market share in a fast growing market, whilst realising associated economies of scale.



The TekLink® CPS product comprises three main sections, which define its functionality and provides maintenance free 25-year subsea protection. The first section, which enters the foundation of the wind turbine, comprises highly engineered subsea polymers, which provide the “stiffness” to absorb fatigue caused by undersea currents and turbulence. The middle section contains hard-polyurethane elements that provide a neutral buoyant “lock-out” protection to stop the cable from over-bending and the use of polymer plastic parts removes the risk of corrosion in a subsea environment. The final section is weighted to provide stability and ballast to pin and bury the cable and the cable protection system into the seabed.

Figure 3: TekLink® CPS

TekLink® CPS provides key technical benefits to a customer where it:

1. offers a minimum 25-year design life for the protection of cables against storm events, scour development, impact from rocks and other subsea hazards;
2. costs less than half the price of the typical J-Tube cable protection system, therefore providing a more economical solution;
3. has an installation rate of up to eight systems in 24 hours from a single vessel, generating significant time and cost savings as compared to alternative pull-in methods;
4. does not require divers for installation and removal thereby reducing health and safety concerns;
5. can be installed as part of the same process where the power cable is pulled into the turbine foundation structure for connection and as a consequence does not add any additional costly marine activity. A secondary benefit is the added protection to the power cable as it is drawn through the TekLink® CPS into the turbine foundation;
6. can interdentally bridge the cable entry from the wind turbine foundation through to subsea burial (across any scour) without any need for other additional protection (for example concrete mattering or rock-dumping); and
7. provides for improved thermal ratings for the power cables in a J-Tubeless environment where direct exposure to the subsea environment dissipates heat build-up from the power cables.

The TekLink® CPS product continues to be developed to improve efficiencies on installation and to ensure that it remains cost effective for the Group’s customers. A new improved generation of the TekLink® CPS is developed each year. The Group is currently supplying the eighth generation of the TekLink® CPS product.

- **TekTube** – TekTube was developed to replace the requirement for costly steel J-Tubes on jacket foundations. It combines a J-Tube and cable protection system into a single solution that can be installed onshore or retro-fitted offshore. The TekTube provides approximately €100,000 saving per J-tube in fabrication costs and reduces the cost and time of the cable installation vessel. To date, TekTubes have been sold to three offshore wind farm projects: East Anglia ONE (UK), Tahkoluoto (Finland) and Westermeerwind (Netherlands).
- **Cable hang-offs** – The Group has taken a standard component used within the industry and developed a new patented solution that addresses many of the problems associated with previously available products. The hang-off clamp secures the cable at the top of the wind turbine foundation (J-Tube or monopole) and allows it to be terminated. This product was launched in 2017 and the Group has already sold 478 units across seven offshore wind farm projects.

#### *Offshore Wind Farm customers*

The Group has acted as both a Tier 1 and Tier 2 supplier to its customers for the TekLink® CPS solution since it was launched in 2008. The Group engages with cable installers, cable manufacturers or directly with project owners or developers. Since 2009 and by revenue, cable installers have represented approximately 50 per cent. of all TekLink® CPS customers (for example Royal Boskalis Westminster N.V., and Van Oord N.V.), cable manufacturers have represented 28 per cent. of all TekLink® CPS customers (for example JDR Cable Systems Limited and Prysmian Cables & Systems Limited), and project owners or developers have represented 22 per cent. of TekLink® CPS customers (for example Ørsted A/S, formerly Dong Energy A/S).

As compared to the Subsea division, the Offshore Wind Farm division customers are characterised by a smaller number of larger value contracts. For the ten years ended 31 March 2018, the largest Offshore Wind Farm division customer represented approximately 25 per cent. of cumulative Group revenue with the five largest Offshore Wind Farm division customers representing approximately 63 per cent. of Group revenues.

#### **Subsea division**

Tekmar provides engineered solutions to the subsea oil and gas industry. The Group entered the oil and gas market in 2014 and currently offers 12 product variances. Compared to the standardisation of the products offered by the Offshore Wind Farm division, the majority of the products offered to subsea oil and gas customers are bespoke designs albeit based on the underlying product types. As at 31 March 2018, the Group has been contracted by 36 customers on 106 orders, with the value of these contracts ranging from £2,000 to £2.2 million. A typical contract would be valued at approximately £200,000.

The Group entered the subsea oil and gas market at a time when the industry was responding to low oil prices by re-evaluating its own supply chains, enabling the Group to enter a competitive market with established market participants thanks to its trusted cost effective products. Compared to the Offshore Wind Farm division where the Group's product innovation has been widely adopted in the industry, oil and gas customers typically issue design specifications for the custom products they require.

For the year ended 31 March 2018, the Subsea division generated £3.5 million, representing 16 per cent. of Group revenue (2017: £1.6 million, 8 per cent).

The subsea market is characterised by a higher volume of projects with a shorter lead time and, therefore, forward visibility is generally up to 12 months prior to contract award. The Subsea division has a current potential sales pipeline of actively tendered projects with an aggregate sales value of £29 million, represented by 151 potential projects.

Market demand for the Subsea division's products is driven by the significant savings made by adequately protecting subsea cables and flexible pipes which are highly susceptible to damage by the subsea environment. Tekmar has successfully achieved approved supplier status with key industry stakeholders, such as the API, which is a significant barrier to entry for new market participants.

## Subsea products

The Subsea division offers the following key products:



Figure 5: Subsea products

- **Bend restrictors** – Vertebrae Bend Restrictors are lightweight dynamic components designed to limit the bend radius of subsea power cables, umbilicals and flowlines by mechanical means during both installation and service life. The Group also offers an innovative quick install solution called TekLok, a unique quick install bend restrictor designed to meet industry demand for lower costs and faster installation times.
- **TekDuct** – TekDuct provides impact and abrasion protection for subsea power cables, umbilicals, risers and flowlines. It can also be used to provide additional ballast and on bottom stability as well as providing protection for cables.
- **J-Tube seals** – J-Tube seals provide pressure retention within a J-Tube and clamp to the power cable or umbilical centralising the product. The seal provides a long-term barrier, prohibiting corrosion by preventing seawater from entering the J-Tube. In addition, the seal clamp provides a reaction interface to attach a train of bend restrictors in order to protect the power cable or umbilical from over bending.
- **TekSpace®** – TekSpace® is a unique cable crossing protection system that provides asset separation and protection of the cable in exposed crossing regions. The system can be assembled topside and installed during the cable lay campaign, reducing cost and installation time offshore. TekSpace® can employ variable asset separation distances to suit client requirements.

## Subsea customers

Tekmar is qualified as both a Tier 2 and Tier 3 supplier to its Subsea division customers, which comprise multinational oil and gas companies (for example BP plc, Royal Dutch Shell plc, Total S.A. and Chevron Corporation), installers and engineering, procurement and construction contractors (for example Subsea7 S.A. and TechnipFMC plc), and SURF manufacturers (for example TechnipFMC plc, General Electric Company, and JDR Cable Systems Limited).

Compared to the Offshore Wind division, the Group's Subsea division customers are characterised by a higher volume of lower value contracts. For the ten years ended 31 March 2018, the largest Subsea division customer represented approximately 1.8 per cent. of cumulative Group revenue with the five largest Subsea division customers representing approximately 5.4 per cent. of Group revenues.

## AgileTek

AgileTek provides offshore and subsea analysis, simulation and engineering to both support the activities of the Group and to service external customers operating in the offshore energy industry. Its services include:

- *Global Analysis* – dynamic analysis of combined loading on complex offshore and subsea systems. Installation procedures and extreme response to cable systems under storm conditions are typically covered by global analysis.
- *Local Analysis* – supporting global analysis to validate sub-assembly and component design, optimise geometry and undertake fatigue life analysis of the cable protection systems.
- *Other services* – extend to thermal analysis, seabed stability analysis, software development, analytical modelling and data processing.

Excluding intra-group revenue, for the year ended 31 March 2018, AgileTek represented £0.3 million or 1 per cent. of Group revenue (2017: £0.2 million, 1 per cent.). AgileTek also supplies intra-group services to the Offshore Wind Farm and Subsea divisions. For the year ended 31 March 2018, including intra-group revenues, AgileTek represented £0.7 million or 3 per cent. of the Group revenue (2017: £0.5 million, 3 per cent.).

#### **4. Intellectual property**

The Group has been granted patents in the UK, Germany, France, the Netherlands and Europe for the TekLink® CPS, and has patents pending in the UK and Internationally for the Cable Hang Off clamps. Further details of the patents held by the Group are set out in paragraph 15 of Part V of this document.

The Group also holds know-how and other unregistered intellectual property such as material science, method statements for manufacturing, methodology for offshore installations and design drawings. Additionally, a key constituent of Tekmar's products is the unique polymer blends that make up substantially all of the Group's products. The formulation of the polymer blend, TekThane, is protected by trade secret that determines its blend, curing temperature and curing time giving it the properties that enable it to withstand the demands of the subsea environment. TekThane is formulated to perform such that it can deal with load bearing stress, fatigue, low temperatures, and be resistant to salinity and absorption over an extended period of time. The Group operates an in-house laboratory to perform quality control on each batch and continues to develop its unique polymer blend to further optimise its performance.

#### **5. Market overview and competition**

##### ***Offshore wind***

The offshore wind industry is rapidly maturing and is moving towards a position where it can be considered a mainstream supplier of low-carbon electricity. In Europe, industry reports indicate that offshore wind will be a more cost efficient energy source than natural gas by 2022.

Supportive regulation in the developed world has resulted in significant inflows of public and private investment, while governmental commitments to meet climate change targets, such as in the case of the United Nations Paris climate accord, are expected to drive demand for increases in renewable energy capacity.

Offshore wind is considered to be complementary to other renewable energy technologies, particularly solar energy. Existing sources of renewable energy suffer a number of limitations, particularly their intermittent and unreliable power output. As such it is expected that future energy systems will consist of a variety of renewable solutions that together are able to meet demand efficiently and reliably.

Technological progress, growth in the scale of the industry and a reduction in the cost of capital has resulted in greater levels of competition and, as a consequence, the cost of installing offshore wind farms has reduced significantly. Whilst certain alternative sources of energy continue to be less expensive than offshore wind, the price of offshore wind in Europe dropped sharply between 2015 and 2017. Recent tenders have achieved prices of £57.5 per MWh, as opposed to an average of £117 per MWh in 2015 and contracts for the first three subsidy-free offshore wind projects were awarded in Germany in 2017. MAKE predicts that offshore wind will be more competitive than natural gas in Europe by 2022, while Wind Europe predicts that offshore wind will produce 7 per cent. to 11 per cent. of the EU's electricity demand by 2030.

According to forecasts from Westwood Global Energy, global offshore wind capacity is expected to grow from 17.1 GW in 2017 to 102.7 GW by 2026, representing a 22 per cent. CAGR, as global capital expenditure in offshore wind is predicted to amount to almost €444 billion within the same period.

Europe, which currently accounts for approximately 88 per cent. of the global offshore wind power market, is predicted by Wind Europe to have installed total wind energy capacity of between 64 GW and 86 GW by 2030. In the more immediate term, MAKE expects that Europe will experience another record year for the connection of offshore wind power to the main electricity grid in 2018.

The Asian offshore wind market is at an early stage of growth. In 2016, wind energy generation capacity almost doubled to 1.7 GW and is anticipated to reach about 11.3 GW by the end of 2022. The key jurisdictions, driving this growth in the region, are expected to be China, Japan and Taiwan.

The United States is currently working towards a number of future projects, following the construction of the Block Island Wind Farm in 2016, the first commercial offshore wind farm in the United States. According to the US Department of Energy, more than 24 offshore wind projects with a generating capacity of 24 GW are now being planned, mainly off the Northeast and mid-Atlantic coasts. Norwegian Energy Partners predict that North-eastern US could add up to 8 GW of installed offshore wind capacity by 2030.

With a European market share of 74 per cent., Tekmar is the undisputed leader in offshore wind cable protection systems. In addition to over a dozen smaller market participants, Tekmar's main competitor, Seaproof Solutions AS, is considered to be the only other market participant that currently possesses the scale and penetration to enable it to compete directly.

### **Subsea oil and gas**

The subsea oil and gas market has experienced a period of turbulence since 2014, with increasing price pressure driven by underlying supply and demand dynamics. While market prices of oil and gas are key to determining levels of activity and investment in the wider sector, demand for subsea product is also influenced by the onshore oil and gas sector. Of particular note has been the boom in shale oil and gas driven by developments in fracking technologies, most prominently in the United States, which has acted to reduce demand for subsea oil and gas.

The reduction in price per barrel for Brent Crude, extracted from the North Sea, to below \$30 in 2016, the lowest in over 10 years, sparked a recession in demand for new projects and a subsequent drop in demand for new equipment. This reduction in price also forced companies to seek more cost-effective solutions to ensure that the price of extraction remained viable.

The oil price has now stabilised consistently above \$40 per barrel for the last six months and more projects are coming back online. Regions most affected are those with deeper water production and, consequently, higher cost of extraction and, as such, shallow water areas such as the Middle East are less affected and offer greater opportunity for projects which are less sensitive to price.

Following what has been viewed by industry commentators as the bottoming of the market in the last few years, an upturn is beginning to unfold. Oil prices have recovered, the industry has gone through a restructuring process and the offshore market is beginning to see a gradual increase in tendering activity.

The market for providers of offshore oil and gas protection solutions, reflective of the wider oil and gas sector, is significantly more mature than that of the offshore wind sector. It is characterised by a duopolistic market structure that is dominated by Balmoral Offshore Engineering and Trelleborg AB.

## **6. Key strengths of the Group**

The Directors believe that Tekmar's strategy, together with the following competitive strengths, distinguish it from its competitors in its chosen marketplaces.

*Leading market position and deep relationships with global clients* – Tekmar is a market leader in the protection of subsea assets in the offshore wind farm market. Its patented TekLink® CPS is the recognised solution for offshore wind cable protection and the Group has a 74 per cent. market share across all installed offshore wind farm assets in Europe. The Directors believe that the Group's reputation in the offshore wind farm market has enabled it to successfully penetrate the subsea oil and gas market.

*Exposure to a structural high growth market* – Building on the significant growth already achieved in recent years, the Directors believe that the Group has the potential to accelerate its growth in the offshore wind market to meet demand in an expanding market as a consequence of (i) the lower cost of offshore wind farm projects in Europe which is expected to lead to more projects coming online more quickly, and (ii) the growing emerging market opportunity for renewables in new geographies such as Asia-Pacific.

*A culture of innovation* – Tekmar's entry into the offshore wind farm market with the TekLink® CPS product was a direct consequence of developing an innovative solution to meet a market need. The Group has continued to build on this pedigree and its heritage of product innovation to develop a market leading range of products and solutions offered to the offshore wind and oil and gas subsea markets.

*Strong track record of historical financial growth with clear visibility on organic growth revenues and pipeline* – the Group has delivered a consistent record of growth with a revenue CAGR of 12.7 per cent. from £17.2 million for the year ended 31 March 2016 to £21.9 million for the year ended 31 March 2018. This significant revenue growth has been accompanied by a CAGR in Adjusted EBITDA of 28.5 per cent. over the same period, reaching £4.9 million for the year ended 31 March 2018. The Group has forward revenue visibility with £146 million of sales enquiries across 280 projects.

*Proven, experienced high-calibre management team* – The Group benefits from a high-calibre senior management team with substantial industry experience, led by James Ritchie-Bland, the Group's Chief Executive Officer. Together, the management team has driven the growth and strong financial performance of the business over the past several years and has a proven track record of delivering results. Further details of the Board and the Group's senior management team are set out in paragraph 10 of this Part I.

The Directors believe that the competitive advantages as described above will enable the Group to continue delivering profitable growth. This is further detailed in the description of the Group's growth strategy in paragraph 7 below.

## **7. Growth strategy**

The Group's objective is to become the partner of choice for the supply of subsea protection equipment to the global offshore energy markets. The Group has a strong track record of organic growth and intends to grow its business in the following ways:

*Maintain dominance in the existing and growing offshore wind farm market* – The Directors consider that there is substantial scope to grow in the offshore wind farm market by maintaining its significant market share in a segment that is according to Bloomberg will show global growth of offshore wind installations at a CAGR of 16 per cent. between 2017 and 2030. This will incorporate continuing overseas growth, driven by local representation and manufacturing operations in global markets and supported by the Group's experienced teams based in the UK.

*Grow market share in subsea oil and gas market* – The Group has demonstrated its ability to penetrate the subsea oil and gas market and has already established a customer base of over 30 approved vendors. Gaining API certification has enabled the Group to be included on the approved vendor lists of key operators in the industry, a significant barrier to new market entrants. By utilising innovative technology developed within the Group, the Directors believe that they can grow this market share through delivery of more cost effective, higher quality technical solutions that facilitate faster product installation by the customer.

*Adding new product variations to deliver to existing and new clients* – In addition to the 20 product variances offered by the Group, Tekmar currently has a three year pipeline of products in development stage, which includes 10 new product variances. The Group will continue to evaluate market demand for products to deliver to both existing and new customers in both existing and new jurisdictions.

*Make selective acquisitions* – In addition to organic growth, the Group will consider small-scale acquisitions of businesses that own complementary technology and intellectual property, or provide access to new markets, territories or clients. The Directors believe that there is significant opportunity to expand into other areas of the offshore wind farm and oil and gas subsea markets, building on existing relationships within the respective sectors. This expansion could include areas such as (i) offshore maintenance, repair and replacement of subsea assets, (ii) the development of emergency pipeline repair clamps, (iii) buoyancy

systems for floating production, and (iv) the development of installation equipment that is used on the back-deck of a vessel to deploy subsea assets. The Directors estimate that the potential market size of these additional areas is in the region of £325 million.

The Directors intend to seek acquisition opportunities that would allow the Group to add customers (particularly entities that have approved vendor list status within the oil and gas market), add technologies (particularly technology that can assist in expansion into the other areas of offshore wind and oil and gas set out above), add services (offering Tekmar the ability to smooth some of the existing revenue fluctuations), and add engineering capacity (enabling further innovation of Tekmar's product range).

## **8. Manufacturing operations, facilities and operating locations**

Tekmar is headquartered in Newton Aycliffe, County Durham in a 70,000 square foot facility that includes the manufacturing centre, HSQE centre and business administration, and a 30,000 square foot facility that includes product testing, client-training centre, and the sales, project and engineering offices.

The Group's in-house manufacturing capability includes polyurethane moulding, mechanical engineering and testing, client demonstration and training and includes material laboratories for quality control and material development.

In addition, the Group operates AgileTek from an office in London and has offices supporting the Offshore Wind Farm division in Hamburg (Germany) and Shanghai (China). It has appointed sales agents in Busan (South Korea) and Boston (United States) for the Offshore Wind Farm division and in Singapore and Abu Dhabi (United Arab Emirates) for the Subsea division.

The Group employs 106 staff who are divided equally between the manufacturing facility and other offices. The Group has a highly skilled workforce where more than 25 cent. of all employees are engineers, of whom four have PhDs and five are Chartered Engineers.

## **9. Corporate governance**

### ***Board***

The Directors acknowledge the importance of high standards of corporate governance and intend, given the Company's size and the constitution of the Board, to comply with the principles set out in the QCA Code. The QCA Code sets out a standard of minimum best practice for small and mid-size quoted companies, particularly AIM companies.

Upon Admission, the Board will comprise five Directors, two of whom shall be Executive Directors and three of whom shall be Non-Executive Directors, reflecting a blend of different experiences and backgrounds as described in paragraph 10 of this Part I. The Board believes that the composition of the Board brings a desirable range of skills and experience in light of the Company's challenges and opportunities following Admission, while at the same time ensuring that no individual (or a small group of individuals) can dominate the Board's decision-making.

The Board intends to meet regularly to review, formulate and approve the Group's strategy, budgets, corporate actions and oversee the Group's progress towards its goals. The Company has established an Audit Committee, a Remuneration Committee and a Nomination Committee, each with formally delegated duties and responsibilities and with written terms of reference. On Admission, the Company will not adhere to all of the recommendations of the QCA Code. From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

### ***Audit Committee***

The Audit Committee will have the primary responsibility of monitoring the quality of internal controls to ensure that the financial performance of the Group is properly measured and reported on. It will receive and review reports from the Group's management and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee will meet not less than three times in each financial year and will have unrestricted access to the Group's external auditors. The members of the Audit Committee shall include two Non-Executive Directors. The Audit Committee comprises Christopher Gill (as chairman) and Alasdair MacDonald.

### **Remuneration Committee**

The Remuneration Committee will review the performance of the Executive Directors, chairman of the Board and senior management of the Group and make recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time. The Remuneration Committee will meet as and when necessary, but at least twice each year. In exercising this role, the Directors shall have regard to the recommendations put forward in the QCA Code and, where appropriate, the QCA Remuneration Committee Guide and associated guidance. The members of the Remuneration Committee shall include two Non-Executive Directors. The Remuneration Committee comprises Christopher Gill (as chairman) and Alasdair MacDonald.

### **Nomination Committee**

The Nomination Committee will lead the process for board appointments and make recommendations to the Board. The Nomination Committee shall evaluate the balance of skills, experience, independence and knowledge on the board and, in the light of this evaluation, prepare a description of the role and capabilities required for a particular appointment. The Nomination Committee will meet as and when necessary, but at least twice each year. The Nomination Committee comprises Alasdair MacDonald (as chairman), Christopher Gill, and James Ritchie-Bland.

## **10. Directors and senior management**

### **Directors**

The Board is comprised of two Executive Directors and three Independent Non-Executive Directors.

#### **Alasdair (Ally) MacDonald** (aged 53), *Independent Non-Executive Chairman*

Ally has over 30 years' experience within the oil and gas industry. Between 2008 and 2013, he held senior executive management positions at Wellstream International Limited and Wellstream Holdings plc, a FTSE 250 company that designs, manufactures and supplies flexible pipeline product to customers in the offshore oil industry. Thereafter, Ally was Chief Executive Officer at Seanamic Group Limited, an engineering and equipment manufacturer serving the energy, defence, oceanographic science and seismic industries. He spent 19 years with Technip UK Limited, acting as Managing Director of Technip Umbilicals Limited between 2005 and 2008, a worldwide leader in developing and manufacturing customised subsea umbilicals for the offshore oil and gas market. Ally is currently Group Chief Executive Officer of Benbecula Group Limited, a privately funded engineering based buy and build business. An engineer by trade, he graduated with an honours degree in mechanical engineering.

#### **James Thomas Ritchie-Bland** (aged 28), *Chief Executive Officer*

James has 10 years' experience as an executive manager and is one of the first and founding employees of Tekmar Energy. In 2009, James became Operations Director and led the business through substantial growth. He then subsequently led the management buy-out of Tekmar Energy in September 2011 with Elysian and Opera Finance and, consequently, became Chief Executive Officer. He is also a committee member of Subsea North East and Chairman of Energi Coast.

#### **Susan (Sue) Ann Hurst** (aged 52), *Chief Financial Officer*

Sue has over 25 years' experience in finance in large companies such as Serco, ICI and Electrolux, covering sectors from oil and gas and transportation through to information technology and outsourcing. A CIMA qualified accountant, she has significant experience of management of finance and commercial teams, change management programmes and board level finance roles. Sue has a strong background in manufacturing and process driven industries.

#### **Christopher (Chris) Gill** (aged 56), *Independent Non-Executive Director*

Chris has extensive private and quoted company experience in the engineering, fast moving consumer goods, manufacturing and energy sectors. A Chartered Accountant, he was formerly Finance Director of Global Manufacturing Operations for Black and Decker between 1990 and 1999, and Finance Director at the Domnick Hunter Group plc between 1999 and 2006. Chris has extensive industry experience, having been Finance Director at Wellstream Holdings plc between 2008 and 2011, a FTSE250 company that designs, manufactures and supplies flexible pipeline product to customers in the offshore oil industry. He was also a Director of SMD Limited between 2012 and 2015, acting as Chief Financial Officer from 2012

until 2014, a company that designs, engineers and assembles remotely controlled subsea equipment to the oil and gas, offshore renewables, telecommunications and mining industries. Chris acted as Chief Financial Officer of Seanamic Group Limited between 2014 and 2016, a private equity backed buy and build sub-sea engineering business and as Senior Independent Director and audit committee Chairman of the AIM quoted Stadium Group plc.

**Julian Andrew Brown** (aged 55), *Independent Non-Executive Director*

Julian is a prominent figure within the UK Renewables market, with a wealth of experience in the sector. He is currently Chairman of both 8.2 Aarufield Limited and RenewableUK, the UK's leading renewable energy trade association. He is a non-executive director of 3Sun Group Limited. Julian's former roles include UK Director of AREVA Wind, a founding partner of the globally respected renewables consultancy BVG Associates Limited, and Managing Director of Vestas Blades UK Limited (formerly NEG Micon Rotors Limited), which was the largest renewables manufacturing supply chain employer in the UK during his employment.

**Senior management team**

Tekmar's senior management team is comprised of the two Executive Directors from the Board and the following senior management.

**Russell Edmonson**, *Operations Director*

Russell joined Tekmar Energy in 2012 and leads the Groups operational functions, including being responsible for the Group's projects, engineering, production and HSQE disciplines. Russell has over 15 years' management experience, having started his career in the construction industry prior to moving into the offshore wind, and oil and gas sectors.

**Terence (Terry) Sheldrake**, *Non-Executive Technical Director*

Terry provides strategic and industry advice to the Board. He has over 30 years' experience in both academia and the oil and gas industry, including 14 years of executive management experience as the Head of Technology at Wellstream International and subsequently GE Wellstream. Terry has also been an active member on a number of International standards committees, has a PhD in Mechanical Engineering and is a Fellow of the Institution of Mechanical Engineers.

**Jack Simpson**, *Head of Offshore Wind Farm Sales and Strategy*

Jack joined Tekmar Energy in 2011 and is responsible for the offshore wind farm division sales team and manages relationships with key offshore wind customers. He has led the sales, marketing initiatives and strategy of the Group through a track record of more than fifty major projects.

**Charles Sullivan**, *Head of Subsea Sales and Strategy*

Charles joined Tekmar Energy in 2014 and is responsible for the subsea division sales team and manages relationships with key oil and gas customers. He is a chartered mechanical engineer with experience in designing, building and commissioning equipment for a range of offshore systems. Prior to working at Tekmar Energy, he worked for large engineering companies developing solutions for complex engineering challenges for pipe handling, cable burial and heavy lift equipment.

**Steven Rossiter**, *Managing Director AgileTek*

Steven is the founder of AgileTek and is responsible for managing the day to day business of the division. He leads the coordination of the services delivered by AgileTek to the rest of the Group and is responsible for external direct sales. He is also a certified solutions architect for Amazon Web Services and leads the development of AgileTek's cloud platforms.

## **11. Share dealing policy**

The Company has adopted a share dealing policy regulating trading and confidentiality of inside information for persons discharging managerial responsibility ("PDMRs") and persons closely associated with them ("PCAs") which contains provisions appropriate for a company whose shares are admitted to trading on AIM. The Company takes all reasonable steps to ensure compliance by PDMRs and any relevant employees with the terms of that share dealing policy.

## 12. Employee share schemes

The Board considers employee share ownership to be an important part of its strategy for employee incentivisation and retention. The Group intends to implement four Share Option Schemes on, or shortly after, Admission. The Board intends that awards granted under the LTIP and under any other employees' share scheme operated by the Company will be limited to a maximum of 10 per cent. in aggregate of the Company's issued share capital over a 10 year period from Admission. Shares issued under the IPO Plan are disregarded for this purpose. Further details relating to the Share Option Schemes are set out in paragraph 10 of Part V of this document.

## 13. Dividend policy

The Directors do not currently intend that the Company will declare a dividend in the near term, but will instead channel the available cash resources of the Group into funding its expansion. Thereafter, the Board intends to commence the payment of dividends only when it becomes commercially prudent to do so, having regard to the availability of distributable profits and the funds required to finance continuing future growth.

## 14. Selected historical financial information

There has been no significant change in the financial or trading position of the Group since 31 March 2018, being the date to which the Historical Financial Information in section B of Part III of this document has been prepared. Trading for the period from 31 March 2018 to the date of this document was consistent with the Board's expectations.

	<i>Year ended 31 March 2016 £'000</i>	<i>Year ended 31 March 2017 £'000</i>	<i>Year ended 31 March 2018 £'000</i>
<b>Revenue</b>	<b>17,228</b>	<b>19,388</b>	<b>21,891</b>
Cost of sales	(10,641)	(11,400)	(12,962)
<b>Gross profit</b>	<b>6,587</b>	<b>7,988</b>	<b>8,929</b>
Operating expenses	(4,500)	(4,797)	(5,177)
Other operating income	18	10	56
<b>Operating profit</b>	<b>2,105</b>	<b>3,201</b>	<b>3,808</b>
Analysed as:			
<b>Adjusted EBITDA</b>	<b>2,996</b>	<b>4,199</b>	<b>4,947</b>
Depreciation	(787)	(729)	(563)
Amortisation	(60)	(224)	(453)
Exceptional items	(44)	(45)	(123)
<b>Operating profit</b>	<b>2,105</b>	<b>3,201</b>	<b>3,808</b>
Finance costs	(3,798)	(4,366)	(4,192)
Finance income	3	1	4
Net finance costs	(3,795)	(4,365)	(4,188)
Loss before taxation	(1,690)	(1,164)	(380)

## 15. Reasons for Admission, use of proceeds and the Placing

The Directors believe that, while the Group has enjoyed a period of solid investment under its current ownership, the Placing, Admission, the Acquisition and exit by Elysian and Opera Finance will allow the Group to retain its strong employee and growth-oriented culture going forward and to invest more readily in its future expansion through the repayment of all existing debt facilities. Admission will further enhance the Group's profile and brand recognition amongst potential clients and will assist in the recruitment, retention and incentivisation of senior management and employees at all levels.

On Admission the Company will have 50,000,000 Shares in issue and a market capitalisation of approximately £65 million. Berenberg has agreed, pursuant to the Placing Agreement and conditional, *inter*

*alia*, on Admission, to use its reasonable endeavours to place 47,536,789 new Shares with institutional and other investors. The Placing will raise in total £61.8 million gross for the Company.

The Company is seeking to raise approximately £61.8 million (before expenses) through the Placing, the net proceeds of which will be used principally to: (i) fund the cash consideration payable under the Acquisition Agreement in order to acquire TL; (ii) repay debt within the Group; and (iii) fund future expansion and acquisitions.

The Placing, which is not being underwritten, is conditional, *inter alia*, upon the Placing Agreement and the Acquisition Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission and Admission becoming effective not later than 20 June 2018, or such later date as Berenberg and the Company may agree, being not later than 4 July 2018. The Placing Shares will rank *pari passu* in all respects with the Existing Shares and the Consideration Shares including the right to receive all dividends and other distributions declared, paid or made after the date of issue. None of the Placing Shares have been marketed to or will be made available in whole or in part to the public in conjunction with the application for Admission. Further details of the Placing Agreement are set out in paragraph 18.8 of Part V of this document.

The Acquisition Agreement is conditional, *inter alia*, on the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission and Admission becoming effective not later than 20 June 2018 or such later date as the Company and Berenberg may agree, being not later than 4 July 2018.

#### **16. Restrictions on future issues of Shares**

Pursuant to the Placing Agreement, the Company has agreed that, subject to certain exceptions, during the period of 12 months from the date of Admission, it will not, without the prior written consent of Grant Thornton and Berenberg, issue, offer, sell, contract to sell or issue, grant any option, right or warrant to subscribe or purchase or otherwise dispose of any Shares (or any interest therein or in respect thereof), enter into any transaction with the same economic effect as any of the foregoing or publicly announce any intention to do any such things.

#### **17. Lock-in and orderly market arrangements**

On 14 June 2018, the Company, each of the Management Sellers, Grant Thornton and Berenberg entered into a Lock-in Agreement pursuant to which the Management Sellers have agreed not to dispose of an interest in Shares for the period of 12 months following admission without the prior written consent of each of Grant Thornton and Berenberg. The Management Sellers have also agreed for a further period of 12 months to only dispose of an interest in Shares through Berenberg (or the Company's broker from time to time) in accordance with Berenberg's (or the Company's broker from time to time) reasonable requirements with a view to maintenance of an orderly market in the Shares.

#### **18. Admission, settlement and dealings**

Application has been made to the London Stock Exchange for the Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Shares will commence on 20 June 2018. The Shares will be in registered form. The Articles permit the Company to issue Shares in uncertificated form in accordance with the CREST Regulations. CREST is a computerised share transfer and settlement system. The system allows shares and other securities to be held in electronic form rather than paper form, although a shareholder can continue dealing based on share certificates and notarial deeds of transfer. Share certificates, where applicable, will be sent to the registered Shareholder by the Registrar, at such Shareholder's own risks.

#### **19. Taxation**

Your attention is drawn to the taxation section contained in paragraph 17 of Part V of this document. If you are in any doubt as to your tax position, you should consult your own independent financial adviser immediately.

## **20. The Takeover Code**

The Takeover Code applies to the Company. Under the Takeover Code, if an acquisition of interests in Shares were to increase the aggregate holding of the acquirer and its concert parties to interests in Shares carrying 30 per cent. or more of the voting rights in the Company, the acquirer and, depending on circumstances, its concert parties would be required (except with the consent of the Panel) to make a cash offer for the outstanding Shares at a price not less than the highest price paid for interests in Shares by the acquirer or its concert parties during the previous twelve months. This requirement would also be triggered when, except with the consent of the Takeover Panel, any person (together with persons acting in concert with him) who is interested in Shares which carry not less than 30 per cent. of the voting rights of the Company but does not hold Shares carrying more than 50 per cent. of such voting rights, and such person (or person acting in concert with him) acquires any other Shares which increases the percentage of Shares carrying voting rights in which he is interested. Further information on the provisions of the Takeover Code can be found in paragraph 6 of Part V of this document.

## **21. Further information**

You should read the whole of this document, which provides additional information on the Group and the Placing, and not just rely on the information contained in this Part I. In particular, your attention is drawn to the risk factors in Part II of this document and the additional information contained in Part V of this document.

## **PART II**

### **RISK FACTORS**

An investment in the Shares may be subject to a number of risks. Accordingly, prospective investors should consider carefully all of the information set out in this document and the risks attaching to such an investment, including, in particular, the risks described below (which are not set out in any order of priority), before making any investment decision in relation to the Shares.

The information below does not purport to be an exhaustive list of relevant risks, since the Group's performance might be affected by other factors including, in particular, changes in market and/or economic conditions or in legal, regulatory or tax requirements. Prospective investors should consider carefully whether an investment in the Shares is suitable for them in the light of information in this document and their individual circumstances. An investment in the Shares should only be made by those with the necessary expertise to evaluate fully that investment.

This document contains forward-looking statements, which have been made after due and careful enquiry and are based on the Directors' current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. These forward-looking statements are subject to, *inter alia*, the risk factors described in this Part II. The Directors believe that the expectations reflected in these statements are reasonable, but they may be affected by a number of variables which could cause actual results or trends to differ materially. Each forward-looking statement speaks only as of the date of the particular statement.

Factors that might cause a difference include, but are not limited to, those discussed in this Part II. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. Save to the extent required by applicable law and the AIM Rules for Companies, the Company disclaims any obligation to update any such forward-looking statements in the document to reflect future events or developments.

Prospective investors are advised to consult an independent adviser authorised under FSMA. If any of the following risks relating to the Group were to materialise, the Group's reputation, business, financial condition, results of future operations and prospects could be materially and adversely affected. In such cases, the market price of the Shares could decline and an investor may lose part or all of his, her or its investment. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Group. In addition to the usual risks associated with an investment in a company, the Directors consider the following risk factors to be significant to potential investors:

#### **RISKS RELATING TO THE GROUP'S BUSINESS**

##### **Customer concentration and key relationships**

The Group's business and the industry in which it operates is characterised by a high degree of customer concentration. A large proportion of the Group's revenue is generated by a relatively small number of high value contracts. In the financial year to 31 March 2018 approximately 78 per cent. of the Group's revenue was, through a number of contracts, attributable to five customers. As a consequence of this, the loss of any one customer account, or any customer account ceasing or materially limiting its activities that require the Company's products, may have a material adverse impact on the Group's business, revenue, financial condition, profitability results, prospects and/or future operations. Similarly, any disruption to the relationships that underpin these contracts may impact upon the Group's future operational and financial performance.

##### **Revenue recognition and project phasing**

The project-based, contractual nature of the Group's business, compounded by its concentrated customer base, brings with it a revenue profile that is inherently uneven. Revenue is recognised intermittently, typically upon the completion of a contract. There is an associated risk that the completion of any contract, together

with its attributable revenue, may fall outside the financial period that was originally forecast. This, in turn, may have a material adverse impact on the Group's reported financial performance for that specific period. For the years ending 31 March 2014 and 2015 the business reported a decline in revenue and EBITDA, and an EBITDA loss in the year ended 31 March 2015, as a consequence of a delay in the timing of offshore wind contracts.

### **Failing to successfully implement and manage its growth strategies**

As described in Part I of this document, the Company intends to carry out certain growth and expansion strategies. The Group's growth and future success will be dependent to some extent on the successful completion of such growth and expansion strategies currently or proposed to be undertaken by the Group and the sufficiency of demand for the Group's products and services. The execution of the Group's growth and expansion strategies may also place strain on its managerial, operational and financial reserves and the failure to implement such a strategy may adversely affect the Group's reputation, business, prospects, results of operation and financial condition.

In order to manage the further expansion of the Group's business and the growth of its operations and personnel, the Group may be required to expand and enhance its infrastructure and technology and enhance its operational and financial systems as well as its procedures and controls from time to time in order to match that expansion. This could have a material cost to the Group. There can be no assurance that the Group's current and planned staff, infrastructure, systems, procedures and controls will be adequate to support its expanding operations in the future.

### **Future litigation**

While the Group is not currently aware of any material outstanding litigation, other than that detailed in paragraph 16 of Part V of this document, there can be no guarantee that the current or future actions of the Group will not result in litigation. The Group could become the subject of customer complaints and legal claims, both with and without merit, in particular in relation to environmental and health and safety liability and alleged non-performance by the Group of its contractual obligations. Defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceeding will not have a material adverse effect on the Group's financial position or results of operations. The Group is not responsible for and its activities do not include the offshore installation of its cable protection systems. If the Group's products are not installed correctly by its customers or third parties there is a risk that the Group will become involved in litigation regarding the potential failure of its products arising as a direct result of incorrect installation or unforeseen operation event, rather than as a result of the product itself being defective. Paragraph 20.4 details one such example of this risk.

### **Acquisition risk**

The Group may seek potential acquisition targets in order to expand the Group. In identifying potential acquisition targets, the Company would naturally expect to conduct appropriate due diligence, but due diligence may not succeed in identifying all material issues in connection with those acquisitions and those acquisitions would necessarily leave the Company exposed, at least to some degree, to any operational failings of the target company and to potentially overpaying for any such target. Any payment for such target company with Shares could also dilute the interests of Shareholders.

In addition, merger and acquisition activity, including the difficulties involved in integrating companies, businesses or assets, may divert financial and management resources from the Group's core results of operations and prospects. The Group may also carry out opportunistic acquisitions that are not in line with its stated acquisition strategy, and there is no assurance that any acquisitions will be made at all. In addition, there can be no assurance that any acquisitions will successfully achieve their aims, and any acquisitions that are unsuccessful, or do not proceed according to plan, may result in impairment charges.

### **Dependence on key officers, managers and technical staff**

Attracting and retaining experienced and appropriately skilled personnel is a critical component of the future success of the Group's business. Competition for experienced people is high, both in respect of managerial positions and technical engineering staff. The Group's manufacturing output and thereby

capacity to generate revenue is relies heavily reliant on the technical engineering resource that is available to it. Accordingly, the Group will seek to put in place arrangements to incentivise key personnel but the Group may nevertheless encounter difficulties in attracting or retaining such individuals. Continued growth may therefore cause a significant strain on existing managerial, sales, operational, financial and technical resources. The departure of senior members of the Group's management team may have a negative impact on its customer relations and growth. In the event that future departures of key employees occurs, the Group's ability to execute its business strategy successfully, or continue to provide its technology and services to its customers or win new customers and partners could be adversely affected.

### **Onerous contract terms**

A number of the Group's contracts with customers contain unfavourable terms. Such terms include wide ranging warranties and indemnities, provided in some cases on an uncapped basis. Such warranties and indemnities given by the Group create an inherent risk that its liability for any breach could be extensive, especially where these are given on an uncapped basis. While the Directors believe that these terms are prevalent in the subsea industry and do not unfairly prejudice the Group, nor are they considered likely to put the Group in a material worse position than its peers and competitors, claims under such warranties and indemnities, which may not be wholly covered by the Group's insurance policies (see "**Insurance Risk**"), could have a significant adverse impact on the Group's profitability, results and financial condition.

Additionally, a number of the Group's customer contracts are subject to foreign law and contain foreign jurisdiction clauses. This means that claims brought against the Group and any claims brought by the Group under the terms of the customer contracts will be governed by the applicable law and jurisdiction clauses. Therefore, both bringing and defending such a claim is likely to require overseas counsel and input, resulting in potentially costly and lengthy litigation which may adversely affect the Group's profitability, results and financial condition.

### **Ability to maintain quality of service and fulfil obligations on client contracts**

The Group is reliant on being able to consistently deliver a high quality service to clients throughout the course of a contract, in order to avoid contracts being terminated prior to the completion of the project. There are often risks outside of the control of the Group that may hinder the quality of service in a client project or delay its completion, including human error, underperformance and/or illness of personnel. There can be no assurance that a client will not terminate a contract prior to its expected completion, or that a client will not postpone or cancel a future project. Such termination or delay may result in a material adverse effect on the Group's business, revenue, financial condition and results, if it cannot find a replacement client or contract.

### **Reliance on third-party suppliers**

A limited number of third-party suppliers may be contracted for the supply of certain materials or components. These suppliers may not be able to meet agreed minimum levels of supply. Failure to obtain a continued supply of components on competitive terms or at all could severely harm the ability of the Group to develop and realise projects and, consequently, the Group's financial condition and results.

### **Intellectual property**

The Group's success will depend in part on its ability to maintain adequate protection of its intellectual property, covering its manufacturing processes, product design and materials science. The Group holds registered protection in the form of registered patents and the Group also protects its rights through associated proprietary know-how and confidential information. If the Group fails to enforce its intellectual property rights where infringement occurs, or there is any unauthorised use or significant impairment of the Group's intellectual property rights, the value of its products and services could be diminished, the Group's competitive position would be adversely affected and its business may suffer. Despite precautionary measures, third parties may copy or otherwise obtain and use the Group's proprietary information without authorisation or may develop similar technology independently. In addition, competitors may be able to design around the Group's technology or develop competing technologies functionally substantially similar to those of the Group without any infringement of the Group's proprietary rights. As further outlined in paragraph 16 of Part V, there is an existing patent infringement dispute against Seaproof Solutions AS in

respect of alleged infringement by Seaproof Solutions AS of TEL's UK patent GB2463940(C). Any legal action that the Group may bring to protect its intellectual property rights could be unsuccessful and expensive and would divert management's attention from other business concerns. There can be no assurance that others have not developed or will not develop similar products, or duplicate any of the Group's products or designs. No assurance can be given that others will not independently develop or otherwise acquire or develop substantially equivalent techniques. No assurance can be given that third parties will not unlawfully gain access to the Group's unpatented proprietary technology and disclose such technology, or that the Group can ultimately protect meaningful rights to such unpatented technology.

It is possible that certain purported intellectual property rights on which the Group relies may not prove to be enforceable, whether because of validity, ownership or subsistence issues, or otherwise. Although the Group does not consider that it infringes the intellectual property of any third party, if any third party were to allege that the Group infringes intellectual property owned by that third party, addressing and (if appropriate) defending the Group's position could be costly and divert management's resources and attention from other business concerns. It could also require the Group to cease using the intellectual property in question (which might cause interruptions to the business and increase costs), or to enter into a licence of that intellectual property (which might be available only on commercially onerous terms) or to pay damages to the third party. There can be no assurance that others have not developed or will not develop similar products, duplicate any of the Group's products or design. No assurance can be given that others will not independently develop or otherwise acquire substantially equivalent techniques or otherwise gain access to the Company's unpatented proprietary technology or disclose such technology or that the Group can ultimately protect meaningful rights to such unpatented technology.

### **Currency and exchange rates**

The Group presents its financial statements in UK pounds sterling, but has material contracts with customers in foreign jurisdictions which generate revenues and costs in other currencies. To the extent that the Group does not hedge against currency fluctuations, the income and cash flow generated by those international contracts may fluctuate with exchange rates. This could result in a material adverse effect on the Group's financial performance and position.

### **Insurance risk**

While the Group may obtain insurance against certain risks in such amounts as it considers adequate, the nature of these risks are such that liabilities could exceed policy limits or that certain risks could be excluded from coverage. There are also risks against which the Group cannot insure or against which it may elect not to insure. The potential costs that could be associated with any liabilities not covered by insurance or in excess of insurance coverage may cause substantial delays and require significant capital outlays, adversely affecting the Group's earnings and competitive position in the future and, potentially, its financial position. In addition, the potential costs that could be associated with compliance with applicable laws and regulations may also cause substantial delays and require significant capital outlays, adversely affecting the Group's earning and competitive position in the future and, potentially, its financial position.

### **Research and development may not generate revenue or yield expected benefits**

A key element of the Group's strategy is to invest in research and development to create new products and enhance existing products. Research and development projects can be technically challenging and expensive, and there may be delays between the time expenses are incurred and the time the Group is able to generate revenue, if any. Anticipated customer demand for any product developed by the Group could decrease after the development cycle has commenced, and the Group could be unable to avoid costs associated with the development of any such product. If the Group expends a significant amount of resources on research and development which do not lead to the timely introduction or improvement of a product that is competitive in current or future markets, it could harm the business of the Group.

### **If the Group's products fail to perform as expected, the Group's ability to develop, market and sell products could be harmed.**

The Group's products may contain defects in design and manufacture that may cause them not to perform as expected or that may require repair. While the Group performs extensive internal testing, there can be

no assurance that all defects are detected and fixed in products prior to their sale to customers. The Group's products may not perform in a manner that is consistent with customers' expectations or consistent with other similar products currently available in the market. Any product defects or any other failure of the Group's products to perform as expected could significantly harm the Group's reputation and result in adverse publicity, lost revenue, product liability claims, harm to the Group's brand and reputation, and significant liabilities arising out of breach of warranty as well as other expenses, and could have a material adverse impact on the Group's business, financial condition, operating results and prospects.

### **Estimates in financial statements**

Preparation of consolidated financial statements requires the Group to use estimates and assumptions. Accounting for estimates requires management to use its judgment to determine the amount to be recorded on its financial statements in connection with these estimates. The Group's accounting policies require management to make certain estimates and assumptions as to future events and circumstances.

## **RISKS RELATING TO THE INDUSTRY AND ASSOCIATED REGULATORY REGIMES IN WHICH THE GROUP OPERATES**

### **Delay in European offshore wind farm projects**

A large proportion of the Group's current and projected future business and revenues is underpinned by the provision of cable protection systems to offshore wind farm projects in the EU. There can be no guarantee that the EU will continue to support investment in and commission the development of these projects, in the immediate or longer term. Similarly, there can be no guarantee that the Group will continue to supply protection systems for these projects should they continue to be commissioned. Any such change, whether it be a reduction or delay, to this source of business could have a material adverse impact on the Group's financial position and performance.

### **The Subsea oil and gas industry is cyclical and subject to price competition**

The offshore oil and gas cable protection industry is highly competitive, and contracts have traditionally been awarded on a competitive bid basis. The technical capabilities, availability and product pricing are often the primary factors in determining which supplier is awarded a contract. Other key factors include a supplier's reputation for service, technical and engineering support and long-term relationships with oil and gas majors, installers and engineering, procurement and construction contractors and SURF manufacturers. The Group's competitors in the offshore oil and gas cable protection industry generally have longer operating histories, experienced in-house technical and engineering support departments and long-term relationships with customers. This provides the Group's competitors with competitive advantages that may adversely affect the Group's efforts to sell products on favourable terms, if at all, and correspondingly negatively impact the Group's financial position and results of operations. Additionally, the Group is at a competitive disadvantage to those competitors that are better capitalised because they are in a better position to weather the effects of a downturn in the oil and gas industry.

A material or extended decline in expenditures by oil and gas majors, installers and engineering, procurement and construction contractors, and SURF manufacturers due to a decline or volatility in oil and natural gas prices, a decrease in demand for oil and natural gas, or other factors, would adversely affect the Group's business. The Group's business, depends on the level of activity in oil and natural gas exploration, development and production expenditures of the Group's customers. Oil and natural gas prices and customers' expectations of potential changes in these prices significantly affect this level of activity. Commodity prices are affected by numerous factors, and a decline in commodity prices could cause companies exploring for and producing oil and natural gas to cancel or curtail their activities, or reduce their levels of capital expenditures for exploration and production. A prolonged decline or volatility in oil and natural gas prices, or a decrease in demand for oil and natural gas would adversely affect the Group's business, financial condition and results of operations.

### **Regulatory and policy environment**

The renewable energy generation industry is subject to national and regional regulatory oversight, such as national and local regulations relating to building codes, safety, environmental protection, utility

interconnection and metering and related matters and in many jurisdictions has also been supported through various policy initiatives designed to encourage investment in newbuild projects, such as feed-in tariffs, renewable obligation certificates and, in the UK, contracts for difference. These regulations, policies and incentives have been modified and/or withdrawn in the past and may be modified or withdrawn in the future and such modifications or withdrawals have in the past resulted in, and may in future result in, delay, suspension or cancellation of projects and proposed projects while project counterparties reevaluate and adapt projects in order to maintain the financial viability of the projects in light of regulatory and policy developments. The regulations and other policy initiatives applicable to the generation of electricity from renewable energy sources may be subject to modifications that may be more restrictive or unfavourable to the offshore wind energy industry or to the renewable energy industry more generally. More restrictive or unfavourable regulations or policies, such as an obligation to modify existing renewable energy projects, the implementation of additional inspection and monitoring procedures or the variation or cancellation of policies designed to incentivise investment, could lead to changes in operating conditions that might require increased capital expenditure, increased operating costs or otherwise hinder the development of the offshore wind energy industry or the renewable energy industry more generally. Any new, or changes to existing, government regulations or utility policies pertaining to renewable energy may require market participants to incur significant additional expenses, which, in turn, could have a material adverse effect on the Company's business, profitability, prospects, financial condition and results of operations.

### **Environmental and health and safety regulation**

The Group is involved in operations that may be subject to environmental and safety regulation. This may include a wide variety of matters, such as prevention of waste, pollution and protection of the environment, labour regulations and worker safety. The regulations may change in a manner that may require stricter or additional standards than those currently in effect, a heightened degree of responsibility for companies and their directors and employees and more stringent enforcement of existing laws and regulations. There may also be unforeseen environmental liabilities which may be costly to remedy. There is no assurance that future changes in environmental regulation will not adversely affect the activities of the Group.

### **Competition risk**

Given the potential for growth in the UK renewable energy market, it is likely that the Group will face increasing competition from businesses which may have greater capital and other resources and which may be able to provide better services or adopt more aggressive pricing policies. There is no assurance that the Group would be able to compete successfully in such market circumstances. Such competition may cause a decrease in expected profit margins, adversely affect market share, and may have a substantial adverse effect on the Group's business, financial condition, trading performance and prospects.

### **Changes in technologies may render current technologies obsolete or require substantial capital investments**

The renewable energy industry has experienced rapid improvements in technology and sophistication in production equipment. The use of modern technology and automation in manufacturing processes is essential to reduce costs and accelerate execution. Although the Group strives to keep its technology, plant and machinery current with the latest international technological standards, it may be required to implement new technology, or to upgrade the machinery used for the manufacture of its products. The cost of implementing new technology and upgrading its machines could be significant and could adversely affect its financial condition and results of operations.

Additionally, technical developments with respect to alternative materials and consequent fluctuations in the prices of raw materials could materially and adversely affect the demand for the Group's products. Technological developments with respect to the energy market and alternative sources of renewable energy may also result in reduced demand for the solutions offered by the Group.

### **Macroeconomic conditions**

The Group's future prospects are in part linked to the global economy and volatility in the stock market. Macroeconomic factors outside of the Group's control can greatly affect its clients and hence the Group's

own performance and financial position. Economic uncertainty caused by changes in political and fiscal regimes around the world could give rise to a material reduction in the financial performance and position of the clients that the Group serves, which in turn could result in a reduction in the services provided by the Group. Clients may choose to delay planned projects, reduce the scope of work, cancel contracts altogether, or become more price sensitive if there is sustained downward pressure on their profitability caused by poor economic conditions.

### **International expansion**

The continued growth of the Group and expansion into new countries bring associated risks and different jurisdictional and legal frameworks. The Group currently generates most of its client business from the UK, Europe, the Middle East and China. The Group's head office is based in the UK and senior management are based in the UK and there is a risk that the Group's continued growth overseas may result in a reduction in the quality of control and oversight provided by senior management. Factors such as different time zones, language barriers, different regulatory and legal regimes in each country, government support for renewables and different working cultures may all reduce the efficacy of the oversight provided by senior management and of the effectiveness of the Group's strategy employed in each country. The financial performance of the Group's international operations may be dependent on distributions from, and payments to, the Company. The ability of the Group's international businesses to make and receive these payments to and from the Company may become constrained by the taxation regime, including tax treaties and withholding tax, movement of free trade and labour, exchange rates, and the introduction of exchange controls or repatriation restrictions. This risk will become exacerbated as the UK begins negotiations to leave the European Union, and this could have a material adverse effect on the Group's financial performance and position, both internationally and in the UK.

### **Tax risks**

The Group is subject to taxation and the application of such taxes and the tax status of the Company and its subsidiaries may change over time due to changes in tax legislation, which may adversely affect the Company's financial position and its ability to provide returns to Shareholders. The nature and amount of tax that each subsidiary of the Company is expected to pay is dependent on a number of factors and assumptions, any one of which may change unexpectedly. Whilst no material changes are anticipated in such taxes, any unforeseen change in the future may have a material adverse effect on the Company's financial performance and position.

### **Brexit risk**

The Group has many significant contracts with European entities. On 23 June 2016, the UK held a referendum on the UK's continued membership of the EU. This resulted in a vote for the UK to exit the EU. There are significant uncertainties in relation to the terms within which such an exit will be effected, and there are significant uncertainties as to what the impact will be on the fiscal, monetary and regulatory landscape in the UK, including *inter alia*, the UK's tax system, the conduct of cross-border business and export and import tariffs. There is also uncertainty in relation to how, when and to what extent these developments will impact on the economy in the UK and the future growth of its various industries and on levels of investor activity and confidence, on market performance and on exchange rates. There is also a risk that the vote by the UK to leave could result in other member states re-considering their respective membership of the EU. Although it is not possible to predict fully the effects of the UK's exit from the EU, any of these risks, taken singularly or in the aggregate, could have a material adverse effect on the Group's business, revenue, financial condition, profitability, results, prospects and/or future operations.

### **Force majeure**

The Group's operations now or in the future may be adversely affected by risks outside the control or anticipation of the Group including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

## **RISKS RELATING TO THE PLACING, THE SHARES AND THE AIM MARKET**

### **Funding and use of proceeds of the Placing**

The Group is currently cash generative and benefits from sufficient working capital for the near term. However, there is a risk that the Group may need to raise funding in the future for a number of reasons, including working capital, to fund an acquisition or expansion, general corporate purposes or to restructure its balance sheet. At present, the Directors do not believe there is any requirement to raise any further external finance for the Group.

### **Share price volatility and liquidity**

AIM is a trading platform designed principally for growth companies, and as such, tends to experience lower levels of trading liquidity than larger companies quoted on the Official List or some other stock exchanges. Following Admission, there can be no assurance that an active or liquid trading market for the Shares will develop or, if developed, that it will be maintained. The Shares may therefore be subject to large fluctuations on small volumes of shares traded. As a result, an investment in shares traded on AIM carries a higher risk than those listed on the Official List.

Prospective investors should be aware that the value of an investment in the Group may go down as well as up and that the market price of the Shares may not reflect the underlying value of the Group. There can be no guarantee that the value of an investment in the Group will increase. Investors may therefore realise less than, or lose all of, their original investment. The share prices of publicly quoted companies can be highly volatile and shareholdings illiquid. The price at which the Shares are quoted and the price which investors may realise for their Shares may be influenced by a large number of factors, some of which are general or market specific, others which are sector specific and others which are specific to the Group and its operations. These factors include, without limitation, (i) the performance of the overall stock market, (ii) large purchases or sales of Shares by other investors, (iii) financial and operational results of the Group (iv) changes in analysts' recommendations and any failure by the Group to meet the expectations of the research analysts, (v) changes in legislation or regulations and changes in general economic, political or regulatory conditions, and (vi) other factors which are outside of the control of the Group.

Shareholders may sell their Shares in the future to realise their investment. Sales of substantial amounts of Shares following Admission and/or termination of the lock-in restrictions (the terms of which are summarised in paragraph 17 of Part I of this document), or the perception that such sales could occur, could materially adversely affect the market price of the Shares available for sale compared to the demand to buy Shares. There can be no guarantee that the price of the Shares will reflect their actual or potential market value or the underlying value of the Group's net assets and the price of the Shares may decline below the Placing Price. Shareholders may be unable to realise their Shares at the quoted market price or at all.

### **Investment risk**

An investment in a quoted company is highly speculative, involves a considerable degree of risk and is suitable only for persons or entities which have substantial financial means and who can afford to hold their ownership interests for an indefinite amount of time or to lose their investment principal. While various investment opportunities are available, potential investors should consider the risks that pertain to professional services companies in general.

### **Determination of Placing Price**

Placees will commit to subscribe for the Shares at the Placing Price, which is a fixed price, prior to satisfaction of all conditions for the Shares to be issued. The Placing Price may not accurately reflect the trading value of the Shares when issued, or the Company's potential earnings or any other recognised criteria of value.

### **Dilution**

If the Company were to offer equity securities for sale in the future, Shareholders not participating in these equity offerings may become diluted and pre-emptive rights may not be available to certain Shareholders. The Company may also in the future issue Shares, warrants and/or options to subscribe for new Shares,

including (without limitation) to certain advisers, employees, directors, senior management and consultants. The exercise of such warrants and/or options may also result in dilution of the shareholdings of other investors.

**Costs of compliance with AIM corporate governance and accounting requirements**

In becoming a public company, the Group will be subject to enhanced requirements in relation to disclosure controls and procedures and internal control over financial reporting. The Group may incur significant costs associated with its public company reporting requirements, including costs associated with applicable AIM corporate governance requirements. The Group expects to incur significant legal and financial compliance costs as a result of these rules and regulations and if the Group does not comply with all applicable legal and regulatory requirements, this may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

**There is no guarantee that the Group will maintain its quotation on AIM**

The Group cannot assure investors that the Group will always retain a quotation on AIM. If it fails to retain such a quotation, certain investors may decide to sell their shares, which could have an adverse impact on the price of the Shares. Additionally, if in the future the Group decides to obtain a quotation on another exchange in addition to AIM, the level of liquidity of the Shares traded on AIM could decline.

## PART III

### HISTORICAL FINANCIAL INFORMATION

#### Section A – Accountant’s Report on the Historical Financial Information



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14 June 2018

Dear Sirs

#### **Tekmar Limited and its subsidiaries**

We report on the historical financial information set out in Section B of Part III, for the three years ended 31 March 2018 (the **Historical Financial Information**). The Historical Financial Information has been prepared for inclusion in the Company's AIM admission document dated 14 June 2018 (the **Admission Document**) on the basis of the accounting policies set out in note 2 to the Historical Financial Information.

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

#### **Responsibilities**

The directors of Tekmar Group plc are responsible for preparing the Historical Financial Information in accordance with the basis of preparation set out in note 2 to the Historical Financial Information. It is our responsibility to form an opinion on the Historical Financial Information and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

#### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Historical Financial Information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the Historical

#### **Chartered Accountants**

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG.

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Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Historical Financial Information is free from material misstatement, whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the Admission Document, a true and fair view of the consolidated state of affairs of Tekmar Limited and its subsidiaries as at 31 March 2016, 2017 and 2018 and of its consolidated profits, cash flows and changes in equity for the three years then ended in accordance with the basis of preparation set out in note 2 to the Historical Financial Information.

### **Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

GRANT THORNTON UK LLP

## Section B – Historical financial information on Tekmar Limited

### Consolidated Statement of Comprehensive Income For the years ended 31 March 2016, 2017 and 2018

		<i>Year ended</i> 31 March 2016 £'000	<i>Year ended</i> 31 March 2017 £'000	<i>Year ended</i> 31 March 2018 £'000
Revenue	4	17,228	19,388	21,891
Cost of sales		(10,641)	(11,400)	(12,962)
<b>Gross profit</b>		<u>6,587</u>	<u>7,988</u>	<u>8,929</u>
Operating expenses		(4,500)	(4,797)	(5,177)
Other operating income		18	10	56
<b>Group operating profit</b>		<u>2,105</u>	<u>3,201</u>	<u>3,808</u>
<b>Analysed as:</b>				
Adjusted EBITDA <sup>1</sup>		2,996	4,199	4,947
Depreciation	10	(787)	(729)	(563)
Amortisation	11	(60)	(224)	(453)
Exceptional items	7	(44)	(45)	(123)
<b>Group operating profit</b>		<u>2,105</u>	<u>3,201</u>	<u>3,808</u>
Finance costs		(3,798)	(4,366)	(4,192)
Finance income		3	1	4
Net finance costs	8	<u>(3,795)</u>	<u>(4,365)</u>	<u>(4,188)</u>
<b>Loss before taxation</b>		(1,690)	(1,164)	(380)
Taxation	9	(51)	(331)	270
<b>Loss for the year and total comprehensive expense</b>		<u>(1,741)</u>	<u>(1,495)</u>	<u>(110)</u>
<b>Attributable to owners of the parent</b>		(1,707)	(1,459)	(59)
<b>Attributable to the non-controlling interest</b>		(34)	(36)	(51)
		<u>(1,741)</u>	<u>(1,495)</u>	<u>(110)</u>
<b>Loss per share (pence)</b>				
Basic	5	(0.97)	(0.72)	(0.05)
Diluted	5	(0.97)	(0.72)	(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 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

As at 31 March 2015, 2016, 2017 and 2018

		As at 31 March 2015 £'000	As at 31 March 2016 £'000	As at 31 March 2017 £'000	As at 31 March 2018 £'000
	Note				
<b>Non-current assets</b>					
Property, plant and equipment	10	2,287	1,944	1,717	1,401
Goodwill and other intangibles	11	20,204	20,456	20,334	20,005
Deferred tax asset	19	156	40	40	177
Total non-current assets		<u>22,647</u>	<u>22,440</u>	<u>22,091</u>	<u>21,583</u>
<b>Current assets</b>					
Inventory	13	1,225	940	1,237	1,842
Trade and other receivables	14	5,754	9,178	8,438	8,756
Cash and cash equivalents	15	412	772	1,535	2,617
Total current assets		<u>7,391</u>	<u>10,890</u>	<u>11,210</u>	<u>13,215</u>
<b>Total assets</b>		<u><u>30,038</u></u>	<u><u>33,330</u></u>	<u><u>33,301</u></u>	<u><u>34,798</u></u>
<b>Equity and liabilities</b>					
Share capital	21	390	2,390	2,390	2,390
Share premium	21	630	630	630	630
Own shares held by ESOP Trust		(5)	–	–	–
Retained losses		(9,474)	(11,186)	(12,645)	(12,704)
Attributable to owners of the parent		(8,459)	(8,166)	(9,625)	(9,684)
Non-controlling interest		(13)	(47)	(83)	(134)
<b>Total deficit</b>		<u><u>(8,472)</u></u>	<u><u>(8,213)</u></u>	<u><u>(9,708)</u></u>	<u><u>(9,818)</u></u>
<b>Non-current liabilities</b>					
Borrowings	17	29,607	31,765	32,773	32,521
Trade and other payables	16	2,412	3,342	4,349	5,430
Total non-current liabilities		<u>32,019</u>	<u>35,107</u>	<u>37,122</u>	<u>37,951</u>
<b>Current liabilities</b>					
Borrowings	17	2,165	1,465	–	–
Trade and other payables	16	3,971	4,797	5,587	6,665
Provisions	18	355	174	300	–
Total current liabilities		<u>6,491</u>	<u>6,436</u>	<u>5,887</u>	<u>6,665</u>
<b>Total liabilities</b>		<u><u>38,510</u></u>	<u><u>41,543</u></u>	<u><u>43,009</u></u>	<u><u>44,616</u></u>
<b>Total equity and liabilities</b>		<u><u>30,038</u></u>	<u><u>33,330</u></u>	<u><u>33,301</u></u>	<u><u>34,798</u></u>

## Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Own shares £'000	Retained earnings £'000	Attributable to owners of parent £'000	Non- controlling interest £'000	Total equity £'000
<b>Balance at 1 April 2015</b>	390	630	(5)	(9,474)	(8,459)	(13)	(8,472)
Loss for the year	–	–	–	(1,707)	(1,707)	(34)	(1,741)
<b>Total comprehensive expense for the year</b>				(1,707)	(1,707)	(34)	(1,741)
<b>Transactions with owners:</b>							
Proceeds of share issue	2,000	–	–	–	2,000	–	2,000
Purchase of own shares	–	–	5	(5)	–	–	–
<b>Total transactions with owners, recognised directly in equity</b>	2,000	–	5	(5)	2,000	–	2,000
<b>Balance at 31 March 2016</b>	2,390	630	–	(11,186)	(8,166)	(47)	(8,213)
<b>Balance at 1 April 2016</b>	2,390	630	–	(11,186)	(8,166)	(47)	(8,213)
Loss for the year	–	–	–	(1,459)	(1,459)	(36)	(1,495)
<b>Total comprehensive expense for the year</b>	–	–	–	(1,459)	(1,459)	(36)	(1,495)
<b>Total transactions with owners, recognised directly in equity</b>	–	–	–	–	–	–	–
<b>Balance at 31 March 2017</b>	2,390	630	–	(12,645)	(9,625)	(83)	(9,708)
<b>Balance at 1 April 2017</b>	2,390	630	–	(12,645)	(9,625)	(83)	(9,708)
Loss for the year	–	–	–	(59)	(59)	(51)	(110)
<b>Total comprehensive expense for the year</b>	–	–	–	(59)	(59)	(51)	(110)
<b>Total transactions with owners, recognised directly in equity</b>	–	–	–	–	–	–	–
<b>Balance at 31 March 2018</b>	2,390	630	–	(12,704)	(9,684)	(134)	(9,818)

**Consolidated Cash Flow Statement**  
**For the years ended 31 March 2016, 2017 and 2018**

		<i>Year ended</i> <i>31 March</i> <i>2016</i> <i>£'000</i>	<i>Year ended</i> <i>31 March</i> <i>2017</i> <i>£'000</i>	<i>Year ended</i> <i>31 March</i> <i>2018</i> <i>£'000</i>
	<i>Note</i>			
<b>Cash flows from operating activities</b>				
Loss before taxation		(1,690)	(1,164)	(380)
Adjustments for:				
Depreciation	10	787	729	563
Amortisation of intangible assets	11	60	224	453
Other operating income		–	–	(54)
Finance costs	8	3,798	4,366	4,192
Finance income	8	(3)	(1)	(4)
		<u>2,952</u>	<u>4,154</u>	<u>4,770</u>
Changes in working capital:				
Decrease/(increase) in inventories		285	(297)	(605)
(Increase)/decrease in trade and other receivables		(3,410)	629	(40)
Increase in trade and other payables		1,756	1,638	2,318
(Decrease)/increase in provisions		(181)	126	(300)
		<u>1,402</u>	<u>6,250</u>	<u>6,143</u>
<b>Cash generated from operations</b>				
Tax recovered/(paid)		51	(61)	(250)
		<u>1,453</u>	<u>6,189</u>	<u>5,893</u>
<b>Net cash inflow from operating activities</b>				
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(450)	(514)	(248)
Purchase of intangible assets		(312)	(102)	(124)
Proceeds on sale of property, plant and equipment		6	12	1
Interest received		3	1	4
		<u>(753)</u>	<u>(603)</u>	<u>(367)</u>
<b>Net cash outflow from investing activities</b>				
<b>Cash flows from financing activities</b>				
Proceeds from borrowings		1,406	–	–
Repayment of borrowings		(2,100)	(2,406)	(2,250)
Proceeds from issues of shares		2,000	–	–
Capital element of finance lease payments		(65)	(59)	–
Interest paid		(1,581)	(2,358)	(2,194)
		<u>(340)</u>	<u>(4,823)</u>	<u>(4,444)</u>
<b>Net cash outflow from financing activities</b>				
Net increase in cash and cash equivalents		360	763	1,082
Cash and cash equivalents at beginning of period		412	772	1,535
<b>Cash and cash equivalents at end of period</b>	15	<u>772</u>	<u>1,535</u>	<u>2,617</u>

## Consolidated Cash Flow Statement (continued)

### Analysis of changes in net debt

	<i>As at</i> <i>1 April</i> <i>2017</i> <i>£'000</i>	<i>Cash</i> <i>flows</i> <i>£'000</i>	<i>Capitalisation</i> <i>of interest</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2018</i> <i>£'000</i>
Cash	1,535	1,082	–	2,617
Borrowings	32,773	(2,250)	1,998	32,521

	<i>As at</i> <i>1 April</i> <i>2016</i> <i>£'000</i>	<i>Cash</i> <i>flows</i> <i>£'000</i>	<i>Capitalisation</i> <i>of interest</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2017</i> <i>£'000</i>
Cash	772	763	–	1,535
Borrowings	33,171	(2,406)	2,008	32,773
Obligations under finance leases	59	(59)	–	–

	<i>As at</i> <i>1 April</i> <i>2015</i> <i>£'000</i>	<i>Cash</i> <i>flows</i> <i>£'000</i>	<i>Capitalisation</i> <i>of interest</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2016</i> <i>£'000</i>
Cash	412	360	–	772
Borrowings	31,648	(694)	2,217	33,171
Obligations under finance leases	124	(65)	–	59

## Notes to the Historical Financial Information

### 1. GENERAL INFORMATION

Tekmar Limited (the “Company”) is a private 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 07746032. A list of the Company’s subsidiaries is presented in note 12.

The Group (the current group of companies headed by Tekmar Limited) is principally engaged in the 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.

### 2. ACCOUNTING POLICIES

#### (a) Basis of preparation

The historical financial information has been prepared on a going concern basis under the historical cost convention except for certain financial instruments that are measured at fair value. The historical financial information is presented in pounds sterling and all values are rounded to the nearest thousand pounds (£’000), except where otherwise indicated. The historical financial information does not constitute statutory accounts for the purposes of section 434 of the Companies Act 2006.

This Historical Financial Information presents the financial track record of the Group for the three years ended 31 March 2018 and is prepared for the purposes of admission to AIM, a market operated by the London Stock Exchange.

This basis of preparation describes how this historical financial information has been prepared in accordance with the requirements of the AIM Rules for Companies and International Financial Reporting Standards as adopted by the European Union and the IFRS Interpretation Committee interpretations (together “IFRS”).

The deemed transition date, for the purposes of this Historical Financial Information on the Group is 1 April 2015, which is the beginning of the first period presented. Details of the transition are set out in Note 25. The principles and requirements for first time adoption of IFRS are set out in IFRS 1. IFRS 1 allows certain exceptions and exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. The Group has not applied any of the optional exemptions and has applied the exception with regard to restatement of past business combinations under IFRS 3.

#### (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 historical financial information.

(c) **New standards, amendments and interpretations**

The Group has adopted the following new standards and interpretations in the Historical Financial Information:

- IFRS 15 – Revenue from Contracts with Customers (effective 1 January 2018 and early adopted);
- IFRS 9 – Financial instruments (effective 1 January 2018 and early adopted); and
- Amendments to IAS 7, Statement of cash flows on disclosure initiative.

The adoption of the above standards had no material impact on the results or financial position in any of the years presented. At the date of authorisation of this Historical Financial Information, the following new standards and interpretations which have not been applied in this financial information 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 Historical Financial Information together with estimates with a significant risk of material adjustment in the next year are discussed in note 3 to the Historical Financial Information.

(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 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.

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease".

***Depreciation***

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

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 and liabilities**

Contract assets represent the gross unbilled amount for contract work performed to date, calculated by way of units assembled using the output method – see policy (e) above. 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 historical financial information. 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 are credited 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.

### 3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) **Accounting estimates**

***Impairment of goodwill***

The carrying amount of goodwill is £19,362,000 as at 31 March 2016, 2017 and 2018. 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 per cent. and 27.1 per cent. Subsequent years are based on a reduced growth rate of 2.0 per cent. into perpetuity.

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

The value in use calculations performed for the impairment review, together with sensitivity analysis using reasonable assumptions, indicate significant 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 Historical Financial Information the Directors, in applying the accounting policies of the Group, make some judgements and estimates that effect the reported amounts in the Historical Financial Information. 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.

**4. SEGMENTAL ANALYSIS**

The trading operations of the Group are only in the subsea cable industry and are all continuing. This includes the activities of Tekmar Energy Limited, which includes the main trading activity, and AgileTek Engineering Limited, which is incidental to Group operations. 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 cable industry. All assets of the Group reside in the UK.

**Major customers**

In 2018 there were five major customers that individually accounted for at least 10 per cent of total revenues (2017: four customers; 2016: three customers). The revenues relating to these in 2018 were £17,047,000 (2017: £16,660,000; 2016: £9,830,000). Included within this is revenue from multiple projects with different entities within each customer.

**Analysis of revenue**

	<i>Year ended</i> <i>31 March</i> <i>2016</i> <i>£'000</i>	<i>Year ended</i> <i>31 March</i> <i>2017</i> <i>£'000</i>	<i>Year ended</i> <i>31 March</i> <i>2018</i> <i>£'000</i>
UK & Ireland	9,552	14,816	5,379
Rest of the World	7,676	4,572	16,512
	<u>17,228</u>	<u>19,388</u>	<u>21,891</u>

**5. 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:

	<i>Year ended 31 March 2016</i>	<i>Year ended 31 March 2017</i>	<i>Year ended 31 March 2018</i>
<b>Earnings (£'000)</b>			
Earnings for the purposes of basic and diluted earnings per share being profit for the year attributable to equity shareholders	(1,741)	(1,495)	(110)
<b>Number of shares</b>			
Weighted average number of shares for the purposes of basic earnings per share (excluding shares held by ESOP Trust)	179,204,522	208,146,780	208,146,780
Weighted average dilutive effect of conditional share awards	—	—	—
Weighted average number of shares for the purposes of diluted earnings per share	179,204,522	208,146,780	208,146,780
<b>Loss per ordinary share (pence)</b>			
Basic loss per ordinary share	(0.97)	(0.72)	(0.05)
Diluted loss per ordinary share	(0.97)	(0.72)	(0.05)
<b>Adjusted earnings per ordinary share (pence)</b>			
Basic adjusted earnings per ordinary share	(0.57)	(0.33)	0.39
Diluted adjusted earnings per ordinary share	(0.57)	(0.33)	0.39

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

	<i>Year ended 31 March 2016 £'000</i>	<i>Year ended 31 March 2017 £'000</i>	<i>Year ended 31 March 2018 £'000</i>
Loss for the period attributable to equity shareholders	(1,741)	(1,495)	(110)
Add back/(deduct):			
Depreciation and amortisation charges	847	953	1,016
Exceptional items	44	45	123
Tax effect of the above	(178)	(200)	(216)
<b>Adjusted earnings</b>	<u>(1,028)</u>	<u>(697)</u>	<u>813</u>

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.

The tax effect of the adjusted items has been calculated at 19% (2017: 20%; 2016: 20%).

## 6. EMPLOYEES AND DIRECTORS

### Key management compensation

Key management of the Group is considered to be the Board of Directors. Remuneration paid to the Directors is as follows:

	<i>Year ended 31 March 2016 £'000</i>	<i>Year ended 31 March 2017 £'000</i>	<i>Year ended 31 March 2018 £'000</i>
Short term benefits:			
Salaries including bonuses	440	344	353
Social security costs	61	47	49
Total short-term benefits	501	391	402
Post-employment benefits:			
Defined contribution pension plan	5	3	3
Total remuneration	506	394	405

### Highest paid director

The aggregate remuneration of the highest paid director was £183,000 (2017: £179,000; 2016: £149,000), which includes pension contributions of £nil for all three years.

The number of directors accruing pension benefits under a defined contribution plan was 3 (2017: 3; 2016: 3).

## 7. EXPENSES BY NATURE

	<i>Year ended 31 March 2016 £'000</i>	<i>Year ended 31 March 2017 £'000</i>	<i>Year ended 31 March 2018 £'000</i>
Research and development	598	483	485
Employee benefit expense	3,648	3,834	3,855
Amortisation (note 11)	60	224	453
Depreciation – leased (note 10)	205	112	27
Depreciation – owned (note 10)	582	617	536
Operating lease payments	281	172	203
Inventory recognised as an expense	7,819	7,828	9,440
Exceptional items	44	45	123
Other expenses	1,904	2,882	3,017
<b>Total cost of sales and operating expenses</b>	<b>15,141</b>	<b>16,197</b>	<b>18,139</b>

### Exceptional items

Exceptional items include:

- Monitoring fees charged by private equity owners that will not recur following admission to trading on AIM and are considered non-recurring in nature
- Deal related costs, principally professional fees

## 8. NET FINANCE COSTS

	<i>Year ended</i> 31 March 2016 £'000	<i>Year ended</i> 31 March 2017 £'000	<i>Year ended</i> 31 March 2018 £'000
<b>Interest payable and similar charges</b>			
On loan notes	534	575	624
On other loans	2,149	2,396	2,392
On preference shares classed as liabilities	970	1,042	1,123
On bank loans and overdrafts	138	31	–
On finance leases	7	6	–
Fair value movement on forward foreign exchange contracts	–	316	53
<b>Total interest payable and similar charges</b>	<u>3,798</u>	<u>4,366</u>	<u>4,192</u>
<b>Interest receivable</b>	<u>(3)</u>	<u>(1)</u>	<u>(4)</u>
	<u><u>3,795</u></u>	<u><u>4,365</u></u>	<u><u>4,188</u></u>

## 9. TAXATION

	<i>Year ended</i> 31 March 2016 £'000	<i>Year ended</i> 31 March 2017 £'000	<i>Year ended</i> 31 March 2018 £'000
<i>Analysis of charge/(credit) in year</i>			
<b>Current period tax</b>			
Current taxation charge for the year	60	331	250
Adjustments in respect of prior periods	(125)	–	(383)
<b>Total current tax</b>	<u>(65)</u>	<u>331</u>	<u>(133)</u>
<b>Deferred tax</b>			
Origination and reversal of timing differences	122	(21)	(23)
Change in tax rate	19	9	–
Adjustments in respect of prior periods	(25)	12	(114)
<b>Total deferred tax</b>	<u>116</u>	<u>–</u>	<u>(137)</u>
<b>Tax on loss on ordinary activities</b>	<u>51</u>	<u>331</u>	<u>(270)</u>
<b>Reconciliation of total tax charge/(credit):</b>			
Loss on ordinary activities before tax	<u>(1,690)</u>	<u>(1,164)</u>	<u>(380)</u>
Loss on ordinary activities multiplied by the rate of corporation tax in the UK of 19% (2017: 20%, 2016: 20%)	(338)	(233)	(72)
Effects of:			
Non-deductible expenses	533	559	422
Enhanced R&D tax relief	(75)	–	(129)
Unrecognised deferred tax asset	65	2	3
Effect of change in rates	16	(9)	3
Adjustments in respect of previous periods	(150)	12	(497)
<b>Total taxation charge/(credit)</b>	<u><u>51</u></u>	<u><u>331</u></u>	<u><u>(270)</u></u>

The adjustment in respect of prior periods of £497,000 relates primarily to the recognition of a research and development expenditure claim in the final tax computations submitted to HMRC together with the impact of the patent box regime.

### Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These included reductions to the main

rate to reduce the rate to 17 per cent. from 1 April 2020, and this has been reflected in this historical financial information.

## 10. PROPERTY, PLANT AND EQUIPMENT

	<i>Leasehold improvements</i>	<i>Containers and racking</i>	<i>Plant and equipment</i>	<i>Production tooling</i>	<i>Motor vehicles</i>	<i>Computer equipment</i>	<i>Total</i>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>COST</b>							
<b>As at 1 April 2015</b>	738	1,124	1,368	685	11	307	4,233
Additions	55	–	304	74	–	17	450
Disposals	–	(15)	–	–	–	(10)	(25)
<b>As at 31 March 2016</b>	793	1,109	1,672	759	11	314	4,658
Additions	80	37	201	147	–	49	514
Disposals	–	(11)	–	(1)	–	(35)	(47)
<b>As at 31 March 2017</b>	873	1,135	1,873	905	11	328	5,125
Additions	5	–	26	177	–	40	248
Disposals	–	–	–	–	–	(1)	(1)
<b>As at 31 March 2018</b>	878	1,135	1,899	1,082	11	367	5,372
<b>DEPRECIATION</b>							
<b>As at 1 April 2015</b>	98	725	440	547	7	129	1,946
Charge for the year	257	230	158	78	3	61	787
Eliminated on disposals	–	(11)	–	–	–	(8)	(19)
<b>As at 31 March 2016</b>	355	944	598	625	10	182	2,714
Charge for the year	268	139	155	93	1	73	729
Eliminated on disposals	–	(4)	–	–	–	(31)	(35)
<b>As at 31 March 2017</b>	623	1,079	753	718	11	224	3,408
Charge for the year	195	34	160	118	–	56	563
<b>As at 31 March 2018</b>	818	1,113	913	836	11	280	3,971
<b>NET BOOK VALUE</b>							
<b>As at 1 April 2015</b>	640	399	928	138	4	178	2,287
<b>As at 31 March 2016</b>	438	165	1,074	134	1	132	1,944
<b>As at 31 March 2017</b>	250	56	1,120	187	–	104	1,717
<b>As at 31 March 2018</b>	60	22	986	246	–	87	1,401

Included in the total net book value of assets is £87,000 (2017: £113,000; 2016: £225,000) in respect of assets held under finance leases. Depreciation for the year on those assets was £27,000 (2017: £112,000; 2016: £205,000).

## 11. GOODWILL AND OTHER INTANGIBLES

	<i>Goodwill</i> £'000	<i>Software</i> £'000	<i>Product development</i> £'000	<i>Total</i> £'000
<b>COST</b>				
<b>As at 1 April 2015</b>	23,471	88	754	24,313
Additions	–	63	249	312
<b>As at 31 March 2016</b>	23,471	151	1,003	24,625
Additions	–	–	102	102
<b>As at 31 March 2017</b>	23,471	151	1,105	24,727
Additions	–	–	124	124
<b>As at 31 March 2018</b>	23,471	151	1,229	24,851
<b>AMORTISATION</b>				
<b>As at 1 April 2015</b>	4,109	–	–	4,109
Charge for the year	–	29	31	60
<b>As at 31 March 2016</b>	4,109	29	31	4,169
Charge for the year	–	51	173	224
<b>As at 31 March 2017</b>	4,109	80	204	4,393
Charge for the year	–	50	403	453
<b>As at 31 March 2018</b>	4,109	130	607	4,846
<b>NET BOOK VALUE</b>				
<b>As at 1 April 2015</b>	19,362	88	754	20,204
<b>As at 31 March 2016</b>	19,362	122	972	20,456
<b>As at 31 March 2017</b>	19,362	71	901	20,334
<b>As at 31 March 2018</b>	19,362	21	622	20,005

The remaining amortisation periods for software and product development are 5 months to 26 months (2017: 6 months to 38 months; 2016: 18 months to 32 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 22.4 per cent. to 27.1 per cent. applied for the following years. Subsequent years were based on a reduced rate of growth of 2.0 per cent. 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 per cent.

The value in use calculations described above, together with sensitivity analysis using reasonable assumptions, indicate significant 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.

## 12. INVESTMENTS

Details of the investments in which the Group holds 20 per cent. or more of the nominal value of any class of share capital are as follows:

	<i>Class of share capital held</i>	<i>Proportion held</i>	
		<i>By Parent Company</i>	<i>By the Group</i>
Tekmar Holdings Limited	Ordinary	100%	100%
Tekmar EBT Limited	Ordinary	100%	100%
Tekmar Energy Limited	Ordinary	–	100%
Tekmar Polyurethanes Limited	Ordinary	–	100%
Tekmar GmbH	Ordinary	–	100%
AgileTek Engineering Limited	Ordinary	–	78%

All the companies listed above are incorporated in England and Wales, and have a registered address of Unit 1, Park 2000, Millennium Way, Aycliffe Business Park, Newton Aycliffe, County Durham, DL5 6AR, with the following exception:

<i>Company</i>	<i>Country of Incorporation</i>	<i>Address</i>
Tekmar GmbH	Germany	Möllneyer Ufer 17, 45257 Essen, Germany

The principal activities of these undertakings for the last relevant financial period were as follows:

<i>Company</i>	<i>Principal activity</i>
Tekmar Holdings Limited	Holding of shares in subsidiary companies and the management thereof
Tekmar EBT Limited	Corporate trustee for an employee benefit trust established to facilitate employee share ownership
Tekmar Energy Limited	Engineering, design and manufacture of cable protection system for use in subsea environment
Tekmar Polyurethanes Limited	Dormant
Tekmar GmbH	Investment
AgileTek Engineering Limited	Engineering consulting for subsea environments

## 13. INVENTORY

	<i>As at 31 March 2016 £'000</i>	<i>As at 31 March 2017 £'000</i>	<i>As at 31 March 2018 £'000</i>
Raw materials	818	1,033	1,527
Finished goods	122	204	315
	<u>940</u>	<u>1,237</u>	<u>1,842</u>

There is no difference between the carrying value and replacement cost of the above inventory items.

#### 14. TRADE AND OTHER RECEIVABLES

	<i>As at</i> <i>31 March</i> <i>2016</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2017</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2018</i> <i>£'000</i>
<b>Amounts falling due within one year:</b>			
Trade receivables not past due	2,399	5,382	984
Trade receivables past due	2,501	1,544	2,358
	<u>4,900</u>	<u>6,926</u>	<u>3,342</u>
<b>Trade receivables net</b>			
Contract assets	2,677	1,122	4,432
Other debtors	1,147	11	404
Corporation tax asset	111	–	263
Prepayments and accrued income	343	379	315
	<u>9,178</u>	<u>8,438</u>	<u>8,756</u>

Trade and other receivables are all current and any fair value difference is not material. Trade and other receivables are considered past due once they have passed their contracted due date. Trade and other receivables are assessed for impairment based upon the expected credit losses model.

The carrying amounts of the Group's trade and other receivables are all denominated in GBP.

Throughout the track record period there have been no provisions for impairment against the trade and other receivables noted above.

#### 15. CASH AND CASH EQUIVALENTS

	<i>As at</i> <i>31 March</i> <i>2016</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2017</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2018</i> <i>£'000</i>
<b>Cash and cash equivalents</b>			
Cash at bank and in hand	772	1,535	2,617
	<u>772</u>	<u>1,535</u>	<u>2,617</u>

Cash and cash equivalents were held in the following currencies:

	<i>As at</i> <i>31 March</i> <i>2016</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2017</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2018</i> <i>£'000</i>
UK Pound	772	1,535	1,986
Euro	–	–	631
	<u>772</u>	<u>1,535</u>	<u>2,617</u>

## 16. TRADE AND OTHER PAYABLES

	<i>As at</i> <i>31 March</i> <i>2016</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2017</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2018</i> <i>£'000</i>
<b>Current</b>			
Trade payables	2,432	1,994	2,929
Tax and social security	102	91	400
Accruals and contract liabilities	2,263	2,719	3,230
Corporation tax	–	159	–
Other payables	–	308	–
Derivative financial liabilities	–	316	106
	<u>4,797</u>	<u>5,587</u>	<u>6,665</u>

The fair value of financial liabilities approximates to their carrying value due to short maturities. All trade and other payables were held in GBP. The derivative financial liability relates to a forward foreign currency contract.

	<i>As at</i> <i>31 March</i> <i>2016</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2017</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2018</i> <i>£'000</i>
<b>Non-current</b>			
Accruals	<u>3,342</u>	<u>4,349</u>	<u>5,430</u>
	<u>3,342</u>	<u>4,349</u>	<u>5,430</u>

## 17. BORROWINGS

	<i>As at</i> <i>31 March</i> <i>2016</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2017</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2018</i> <i>£'000</i>
<b>Current</b>			
Bank loans and overdrafts	1,406	–	–
Obligations under finance leases	59	–	–
	<u>1,465</u>	<u>–</u>	<u>–</u>
<b>Non-current</b>			
Shares classified as debt	10	10	10
Share premium classified as debt	9,590	9,590	9,590
Loan notes	6,486	6,638	6,802
Other loans	15,679	16,535	16,119
	<u>31,765</u>	<u>32,773</u>	<u>32,521</u>

	<i>As at</i> <i>31 March</i> <i>2016</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2017</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2018</i> <i>£'000</i>
<b>Amount repayable</b>			
Within one year	1,465	–	–
In more than two years but less than three years	–	–	16,119
In more than three years but less than four years	–	16,535	6,802
In more than four years but less than five years	15,679	6,638	–
In more than five years	16,086	9,600	9,600
	<u>33,230</u>	<u>32,773</u>	<u>32,521</u>

The above carrying values of the borrowings equate to the fair values. Borrowings are secured against all the assets of the Group.

	<i>As at</i> <i>31 March</i> <i>2016</i> <i>%</i>	<i>As at</i> <i>31 March</i> <i>2017</i> <i>%</i>	<i>As at</i> <i>31 March</i> <i>2018</i> <i>%</i>
<b>Average interest rates at the balance sheet date</b>			
Redeemable preference shares	7.75	7.75	7.75
Loan notes	8.50	8.50	8.50
Other loans	15.00	15.00	15.00

### Loan notes

Repayable at the earlier of a listing of the Company, sale of the Company, or 30 September 2021.

Interest accrues on a daily basis at a fixed rate of 8.5 per cent. per annum. On 30 September each year, accrued interest can either be paid in cash or compounded on the loan principal, provided that further loan notes in respect of the accrued interest are allocated and that approval for that transaction is given by the majority shareholder.

### Other loans

Repayable in full on 31 March 2020.

Interest accrues on a daily basis at a fixed rate of 15 per cent. per annum.

20 per cent. of interest accruing daily after 27 March 2014 shall be payable in cash quarterly in arrears on the last business day of June, September, December and March. Residual interest is added to the principal amount of the loan annually.

## 18. PROVISIONS

	<i>As at</i> <i>31 March</i> <i>2016</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2017</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2018</i> <i>£'000</i>
<b>Non-current provisions</b>			
At the start of the period	335	174	300
Provisions created	–	126	–
Provisions released	–	–	(150)
Provisions used	(161)	–	(150)
	<u>174</u>	<u>300</u>	<u>–</u>

The provisions relate to warranties given to customers in the ordinary course of business. The provision has been estimated based on management's best estimate of the costs that will be incurred based on legislative and contractual requirements. Uncertainties about the amount or timing are set out in note 3.

As at 31 March 2018 no specific warranty claims have been noted and therefore the provision is £nil.

## 19. DEFERRED TAX

	<i>As at</i> <i>31 March</i> <i>2016</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2017</i> <i>£'000</i>	<i>As at</i> <i>31 March</i> <i>2018</i> <i>£'000</i>
Asset at start of year	156	40	40
(Charge)/credit to income statement	(116)	–	137
Asset at end of year	<u>40</u>	<u>40</u>	<u>177</u>
The deferred tax asset relates to the following:			
Accelerated capital allowances on property, plant & equipment	39	39	176
Other timing differences	1	1	1
	<u>40</u>	<u>40</u>	<u>177</u>

In addition to the deferred tax asset above, the Group has additional unrecognised gross tax losses of £696,000 (2017: £696,000; 2016: £615,000), hence an unrecognised deferred tax asset of £118,000 (2017: £118,000; 2016: £105,000).

## 20. COMMITMENTS AND CONTINGENCIES

	<i>As at</i> <i>31 March</i> <i>2016</i>	<i>As at</i> <i>31 March</i> <i>2017</i>	<i>As at</i> <i>31 March</i> <i>2018</i>
<b>Operating lease commitments</b>			
Within 1 year	330	330	334
Later than 1 year and less than 5 years	1,668	1,338	1,004
	<u>1,998</u>	<u>1,668</u>	<u>1,338</u>

The Group leases various manufacturing sites under non-cancellable operating lease agreements. The lease terms are between 1 month and 15 years.

Throughout the track record period there have been no capital commitments contracted for but not provided in the financial statements.

### Contingent liabilities

Performance bonds and warranty bonds have been entered into in the normal course of business. Management estimate that these bonds amount to £2,780,000 at the year end and consider the possibility of a cash out flow in settlement to be remote.

## 21. SHARE CAPITAL

	Ordinary A shares £0.01 Number	Ordinary B shares £0.10 Number	Ordinary C shares £0.10 Number	Ordinary D shares £0.001 Number	Ordinary E shares £0.01 Number	Ordinary Share Total £
<b>At 1 April 2015</b>	7,000,000	2,050,000	1,150,000	280,000	–	390,280
Issued during the period	163,109,900	–	–	–	36,890,100	2,000,000
<b>At 31 March 2016 and 2017</b>	170,109,900	2,050,000	1,150,000	280,000	36,890,100	2,390,280
Issued during the period	–	–	–	–	–	–
<b>At 31 March 2018</b>	170,109,900	2,050,000	1,150,000	280,000	36,890,100	2,390,280

	Preference shares £0.001 Number	Preference shares £	Share premium £
<b>At 1 April 2015</b>	9,600,000	9,600	630,000
Issued during the period	–	–	–
<b>At 31 March 2016, 2017 and 2018</b>	9,600,000	9,600	630,000

The preference shares are classed as liabilities.

The Company was incorporated on 19 August 2011 with 1 ordinary share issued at its nominal value of £1.

### Voting

The holders of A ordinary, B ordinary, C ordinary, D ordinary and E ordinary shares are entitled to one vote per share.

The total number of votes attaching to C ordinary shares is restricted to the lower of a) 5 per cent. of all the votes capable of being cast on any resolution, or b) the percentage of votes attaching to all shares in the Company that would have been centred on the C ordinary shares otherwise. The 7.75 per cent. cumulative preference shares carry no voting rights.

### Dividends

The holders of the 7.75 per cent. cumulative preference shares are entitled to receive a fixed cumulative preferential dividend of 7.75 per cent. of their original issue price, plus any compounded unpaid preference dividend.

The preference dividend is paid on the occurrence of a realisation event or on the date on which such preference share is redeemed.

Subject to the above, any further declared dividend to other shareholders shall, subject to consent, not be distributed until all loan facility indebtedness has been repaid.

When distributed, declared dividends shall be distributed *pari passu* amongst the holders of A ordinary, B ordinary, C ordinary, E ordinary shares as if they were shares of the same class. In the event that a dividend is declared in favour of the holders of the B ordinary shares, holders of the D ordinary shares will be entitled to a cumulative net cash dividend of an aggregate equal to 10 per cent. of the dividend payable to the holders of the B ordinary shares, up to a maximum of £0.01 per D ordinary share.

## **Redemption**

The 7.75 per cent. cumulative preference shares are redeemable at issue cost on a) the later of the tenth anniversary of their allotment or six months after the repayment of the loan facility or if earlier b) immediately prior to, and conditionally upon, the occurrence of a) sale, listing or windup or b) the appointment of a receiver over all or any part of the assets of any member of the Group or the appointment of a liquidator or administrator over any member of the Group. The Company shall pay on each preference share so redeemed, the sum equal to the issue price, together with a sum equal to all arrears, deficiencies or accruals of the preference dividend calculated down to and including the date of actual redemption.

## **Return on capital**

In the event of a return on capital, either on liquidation, capital reduction or otherwise, the surplus of assets of the Company shall be applied firstly in repaying the 7.75 per cent. cumulative preference shareholders as detailed above, secondly in paying to the holders of D ordinary shares up to issue price, and thirdly the balance of the assets of the Company shall be distributed amongst the holders of A ordinary, B ordinary, C ordinary and E ordinary shares as though they constituted one class of share.

## **Provisions on realisation**

On realisation, proceeds will be applied firstly to the settlement of long term debt, secondly as a payment to holders of E ordinary shares; this payment not to exceed the E ordinary share entitlement. Thirdly, proceeds will be applied to the settlement of outstanding loan notes; fourthly to the redemption of preference shares and arrears; fifthly a payment of nominal value to holders of D ordinary shares. Any residual proceeds to be paid, *pari passu*, to holders of A ordinary, B ordinary, C ordinary and E ordinary shares.

## **ESOP own share reserve**

The ESOP own share reserve comprises the costs of shares in Tekmar Limited held by the ESOP trust, to the extent that they have not become realised losses. When they become realised losses, they are transferred to retained earnings. At 31 March 2018 the ESOP trust held £280 of the Company's D ordinary shares (2017: £280; 2016: £280).

## **22. FINANCIAL RISK MANAGEMENT**

The Group uses various financial instruments. These include preference shares, loan notes and other loans, cash, forward foreign exchange contracts, issued equity instruments and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below.

The main risks arising from the Group's financial instruments are market risk, cash flow interest rate risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

### **Market risk**

Market risk encompasses three types of risk, being currency risk, interest rate risk and price risk. In this instance price risk has been ignored as it is not considered a material risk to the business. The Group's policies for managing interest rate risk are set out in the subsection entitled "interest rate risk" below.

### **Currency risk**

The Group contracts with certain customers in Euros and manages this foreign currency risk using forward foreign exchange contracts which match the expected receipt of foreign currency income. As at 31 March 2018 this covers the period up to May 2018.

## Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs by closely managing the cash balance and by investing cash assets safely and profitably.

The Group policy throughout the period has been to ensure continuity of funding. Short-term flexibility is achieved by revolving working capital facilities. The maturity of borrowings is set out in note 17 to the Historical Financial Information.

The table below analyses the group's non-derivative and derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<i>Less than 1 year £'000</i>	<i>Between 1 and 2 years £'000</i>	<i>Between 2 and 5 years £'000</i>	<i>Over 5 years £'000</i>
<i>At 31 March 2018</i>				
Borrowings	–	–	29,789	12,207
Forward foreign exchange contracts	106	–	–	–
Trade and other payables	2,929	–	5,430	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<i>Less than 1 year £'000</i>	<i>Between 1 and 2 years £'000</i>	<i>Between 2 and 5 years £'000</i>	<i>Over 5 years £'000</i>
<i>At 31 March 2017</i>				
Borrowings	–	–	33,162	12,951
Forward foreign exchange contracts	316	–	–	–
Trade and other payables	2,302	–	4,349	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<i>Less than 1 year £'000</i>	<i>Between 1 and 2 years £'000</i>	<i>Between 2 and 5 years £'000</i>	<i>Over 5 years £'000</i>
<i>At 31 March 2016</i>				
Borrowings	1,465	–	20,383	23,216
Forward foreign exchange contracts	–	–	–	–
Trade and other payables	2,432	–	3,342	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## Interest rate risk

The Group finances its operations through a mixture of retained profits, bank borrowings and loan notes. The Directors' policy to manage interest rate fluctuations is to regularly review the costs of capital and the risks associated with each class of capital, and to maintain an appropriate mix between fixed and floating rate borrowings.

## Sensitivity to interest rate fluctuations

All borrowings carry fixed interest rates, and hence there is no sensitivity to interest rate fluctuations.

## Credit risk

The Group's principal financial assets are cash and trade receivables. The credit risk associated with cash is limited, as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from the Group's trade receivables. In order to manage credit risk the Directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

The Directors consider that the Group's trade receivables were not impaired for the period ended 31 March 2018 and no provision for credit losses was made. See note 14 for further information on financial assets that are past due.

### Summary of financial assets and liabilities by category

The carrying amount of financial assets and liabilities recognised at the balance sheet date of the reporting periods under review may also be categorised as follows:

	<i>As at</i> 31 March 2016 £'000	<i>As at</i> 31 March 2017 £'000	<i>As at</i> 31 March 2018 £'000
<b>Financial assets</b>			
<i>Financial assets measured at amortised cost</i>			
Trade and other receivables	8,724	8,059	8,178
Cash and cash equivalents	772	1,535	2,617
	<u>9,496</u>	<u>9,594</u>	<u>10,795</u>
<b>Financial liabilities</b>			
<i>Financial liabilities measured at fair value through profit or loss</i>			
Forward foreign exchange contracts	–	(316)	(106)
<i>Financial liabilities measured at amortised cost</i>			
<i>Non-current:</i>			
Borrowings	(31,765)	(32,773)	(32,521)
Trade and other payables	(3,342)	(4,349)	(5,430)
<i>Current:</i>			
Borrowings	(1,465)	–	–
Trade and other payables	(2,432)	(1,994)	(2,929)
	<u>(39,004)</u>	<u>(39,432)</u>	<u>(40,986)</u>
Net financial assets and liabilities	(29,508)	(29,838)	(30,191)
<b>Non-financial assets and liabilities</b>			
Plant, property and equipment	1,944	1,717	1,401
Goodwill	19,362	19,362	19,362
Other intangible assets	1,094	972	643
Inventory	940	1,237	1,842
Prepayments and accrued income	343	379	315
Deferred tax	40	40	177
Accruals and contract liabilities	(2,263)	(2,719)	(3,230)
Social security	(102)	(91)	(400)
Provisions for warranties	(174)	(300)	–
Corporation tax	111	(159)	263
Other creditors	–	(308)	–
	<u>21,295</u>	<u>20,130</u>	<u>20,373</u>
Total deficit	<u>(8,213)</u>	<u>(9,708)</u>	<u>(9,818)</u>

Financial instruments carried at fair value include forward foreign exchange contracts which are valued using Level 2 inputs in accordance with IFRS 13.

### Capital management policies and procedures

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

This is achieved through close management of working capital and regular reviews of pricing. Decisions on whether to raise funding using debt or equity are made by the board based on the requirements of the business.

Capital for the reporting period under review is shown as total equity in the table above.

### **23. RELATED PARTY TRANSACTIONS**

The Directors consider the ultimate controlling party to be Elysian Capital I LP. Related parties include representatives of major shareholders across the track record period, and parent and intermediate parent entities ultimately owned by the same shareholders. Related party balances with the Company are as follows:

During the year, the Company issued unsecured investor fixed rate loan notes to Opera Finance International S.A. totalling £165,000 (2017: £152,000; 2016: £140,000). At 31 March 2018 £2,194,000 (2017: £2,022,000; 2016: £1,864,000) was due to Opera Finance International S.A. in relation to those loan notes. Interest in the year was £172,000 (2017: £158,000; 2016: £146,000). £82,000 (2017: £76,000; 2016: £70,000) of that interest was compounded and added to the loan principal during the year via the further issue of loan notes described above.

At 31 March 2018, an amount of £16,119,000 (2017: £16,535,000; 2016: £15,679,000) was due to Opera Finance International S.A. Interest in the year was £2,293,000 (2017: £2,321,000; 2016: £2,091,000). A capital repayment of £2,250,000 (2017: £1,000,000; 2016: £nil) was made in the year and £1,834,000 (2017: £1,857,000; 2016: £nil) of PIK notes were issued in the year as consideration for accrued interest to 31 March 2018.

During the year, the Group issued no unsecured investor fixed rate loan rates to Elysian Capital I LP (2017: £299,000; 2016: £299,000). At 31 March 2018, £5,766,000 (2017: £5,315,000; 2016: £4,898,000) was due to Elysian Capital I LP in relation to existing loan notes. Interest in the year was £452,000 (2017: £416,000; 2016: £388,000), it remains due to the loan note holder at the year end and is included with accruals.

Opera Finance International S.A. is a shareholder of A ordinary shares in Tekmar Limited. J Cunningham and K Terry are members of Elysian Capital LLP and also directors of Tekmar Limited.

During the year the Group received services to the value of £46,000 (2017: £44,000; 2016: £44,000) from Elysian Capital LLP.

Key management compensation is given in note 6.

### **24. POST BALANCE SHEET EVENTS**

#### **Pre-Admission Reorganisation**

In connection with Admission and the Placing, the Group undertook a reorganisation, the material steps of which are summarised in paragraph 3 of Part V of this document.

### **25. EXPLANATION OF TRANSITION TO IFRS**

As stated in Note 2 this Historical Financial Information has been prepared in accordance with IFRS. The date of the transition to IFRS is 1 April 2015 (the "Transition date").

The accounting policies described in Note 2 were applied when preparing the Historical Financial Information for the years ended 31 March 2016, 2017 and 2018 and the Balance Sheet as at the Transition Date.

In preparing its opening IFRS Balance Sheet and adjusting amounts reported previously in the financial statements prepared in accordance with Financial Reporting Standard 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland (previous GAAP), the Group has applied IFRS 1

First-Time Adoption of International Financial Reporting Standards, which contains a number of voluntary exemptions and mandatory exceptions from the requirement to apply IFRS retrospectively.

### **Exceptions and Exemptions used during transition to IFRS**

The Group has applied the following exceptions as set out in IFRS 1 in the conversion from UK GAAP to IFRS:

#### **Estimates**

Hindsight is not used to create or revise estimates. The estimates previously made by the Group under UK GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

#### **Business combinations**

IFRS 3 “Business combinations” has not been applied to business combinations that occurred before the date of transition to IFRS. As a result, the carrying value of goodwill in the opening balance sheet under IFRS is the same as the carrying value under UK GAAP.

#### **Exemptions**

The Group has not applied any optional exemptions in the conversion from UK GAAP to IFRS.

### **Adjustments Made in Connection with Transition to IFRS**

There were no adjustments to UK GAAP balance sheet at the date of transition to IFRS. The only adjustment made to the UK GAAP financial statements in connection with the transition to IFRS was in respect of goodwill, which is not amortised under IFRS, but subject to an annual impairment test. As such, the goodwill amortisation of £1,173,000, £1,174,000, and £1,174,000 which was charged in the years ended 31 March 2016, 2017, and 2018, has been reversed. This reduced the shareholders’ deficit at 31 March 2016 by £1,173,000, at 31 March 2017 by £2,347,000, and £3,521,000 at 31 March 2018 as set out in the following tables.

A number of reclassifications have been made, including the re-classification of deferred tax assets from “trade and other receivables” to “deferred tax assets” and finance lease liabilities from “Trade and other payables” to “borrowings”.

UK GAAP to IFRS reconciliation of the Consolidated Balance Sheets as at 31 March 2016

	<i>UK GAAP</i> £'000	<i>IFRS</i> <i>adjustments</i> £'000	<i>IFRS</i> £'000
<b>Non-current assets</b>			
Property, plant and equipment	1,944	–	1,944
Goodwill and other intangibles	19,283	1,173	20,456
Deferred tax asset	–	40	40
Total non-current assets	<u>21,227</u>	<u>1,213</u>	<u>22,440</u>
<b>Current assets</b>			
Inventory	940	–	940
Trade and other receivables	9,218	(40)	9,178
Cash and cash equivalents	772	–	772
Total current assets	<u>10,930</u>	<u>(40)</u>	<u>10,890</u>
<b>Total assets</b>	<u><u>32,157</u></u>	<u><u>1,173</u></u>	<u><u>33,330</u></u>
<b>Equity and liabilities</b>			
Share capital	2,390	–	2,390
Share premium	630	–	630
Own shares held by ESOP Trust	–	–	–
Non-controlling interest	(47)	–	(47)
Retained losses	(12,359)	1,173	(11,186)
<b>Total deficit</b>	<u>(9,386)</u>	<u>1,173</u>	<u>(8,213)</u>
<b>Non-current liabilities</b>			
Borrowings	31,765	–	31,765
Trade and other payables	3,342	–	3,342
Total non-current liabilities	<u>35,107</u>	<u>–</u>	<u>35,107</u>
<b>Current liabilities</b>			
Borrowings	1,406	59	1,465
Trade and other payables	4,856	(59)	4,797
Provisions	174	–	174
Total current liabilities	<u>6,436</u>	<u>–</u>	<u>6,436</u>
<b>Total liabilities</b>	<u>41,543</u>	<u>–</u>	<u>41,543</u>
<b>Total equity and liabilities</b>	<u><u>32,157</u></u>	<u><u>1,173</u></u>	<u><u>33,330</u></u>

UK GAAP to IFRS reconciliation of the Consolidated Balance Sheets as at 31 March 2017

	<i>UK GAAP</i> £'000	<i>IFRS</i> <i>adjustments</i> £'000	<i>IFRS</i> £'000
<b>Non-current assets</b>			
Property, plant and equipment	1,717	–	1,717
Goodwill and other intangibles	17,987	2,347	20,334
Deferred tax asset	–	40	40
Total non-current assets	<u>19,704</u>	<u>2,387</u>	<u>22,091</u>
<b>Current assets</b>			
Inventory	1,237	–	1,237
Trade and other receivables	8,478	(40)	8,438
Cash and cash equivalents	1,535	–	1,535
Total current assets	<u>11,250</u>	<u>(40)</u>	<u>11,210</u>
<b>Total assets</b>	<u><u>30,954</u></u>	<u><u>2,347</u></u>	<u><u>33,301</u></u>
<b>Equity and liabilities</b>			
Share capital	2,390	–	2,390
Share premium	630	–	630
Own shares held by ESOP Trust	–	–	–
Non-controlling interest	(83)	–	(83)
Retained losses	(14,992)	2,347	(12,645)
<b>Total deficit</b>	<u>(12,055)</u>	<u>2,347</u>	<u>(9,708)</u>
<b>Non-current liabilities</b>			
Borrowings	32,773	–	32,773
Trade and other payables	4,349	–	4,349
Total non-current liabilities	<u>37,122</u>	<u>–</u>	<u>37,122</u>
<b>Current liabilities</b>			
Borrowings	–	–	–
Trade and other payables	5,587	–	5,587
Provisions	300	–	300
Total current liabilities	<u>5,887</u>	<u>–</u>	<u>5,887</u>
<b>Total liabilities</b>	<u>43,009</u>	<u>–</u>	<u>43,009</u>
<b>Total equity and liabilities</b>	<u><u>30,954</u></u>	<u><u>2,347</u></u>	<u><u>33,301</u></u>

UK GAAP to IFRS reconciliation of the Consolidated Balance Sheets as at 31 March 2018

	<i>UK GAAP</i>	<i>IFRS</i>	<i>IFRS</i>
	<i>£'000</i>	<i>adjustments</i>	<i>£'000</i>
		<i>£'000</i>	<i>£'000</i>
<b>Non-current assets</b>			
Property, plant and equipment	1,401	–	1,401
Goodwill and other intangibles	16,484	3,521	20,005
Deferred tax asset	–	177	177
Total non-current assets	<u>17,885</u>	<u>3,698</u>	<u>21,583</u>
<b>Current assets</b>			
Inventory	1,842	–	1,842
Trade and other receivables	8,933	(177)	8,756
Cash and cash equivalents	2,617	–	2,617
Total current assets	<u>13,392</u>	<u>(177)</u>	<u>13,215</u>
<b>Total assets</b>	<u><u>31,277</u></u>	<u><u>3,521</u></u>	<u><u>34,798</u></u>
<b>Equity and liabilities</b>			
Share capital	2,390	–	2,390
Share premium	630	–	630
Own shares held by ESOP Trust	–	–	–
Non-controlling interest	(134)	–	(134)
Retained losses	(16,225)	3,521	(12,704)
<b>Total deficit</b>	<u>(13,339)</u>	<u>3,521</u>	<u>(9,818)</u>
<b>Non-current liabilities</b>			
Borrowings	32,521	–	32,521
Trade and other payables	5,430	–	5,430
Total non-current liabilities	<u>37,951</u>	<u>–</u>	<u>37,951</u>
<b>Current liabilities</b>			
Borrowings	–	–	–
Trade and other payables	6,665	–	6,665
Provisions	–	–	–
Total current liabilities	<u>6,665</u>	<u>–</u>	<u>6,665</u>
<b>Total liabilities</b>	<u>44,616</u>	<u>–</u>	<u>44,616</u>
<b>Total equity and liabilities</b>	<u><u>31,277</u></u>	<u><u>3,521</u></u>	<u><u>34,798</u></u>

UK GAAP to IFRS reconciliation of the Consolidated Statement of Comprehensive Income as at 31 March 2016

	<i>UK GAAP</i> £'000	<i>IFRS</i> <i>adjustments</i> £'000	<i>IFRS</i> £'000
Revenue	17,228	–	17,228
Cost of sales	(10,641)	–	(10,641)
<b>Gross profit</b>	<u>6,587</u>	<u>–</u>	<u>6,587</u>
Operating expenses	(5,673)	1,173	(4,500)
Other operating income	18	–	18
<b>Group operating profit</b>	<u>932</u>	<u>1,173</u>	<u>2,105</u>
<b>Analysed as:</b>			
Adjusted EBITDA <sup>1</sup>	2,996	–	2,996
Depreciation	(787)	–	(787)
Amortisation	(1,233)	1,173	(60)
Exceptional items	(44)	–	(44)
<b>Group operating profit</b>	<u>932</u>	<u>1,173</u>	<u>2,105</u>
Finance costs	(3,798)	–	(3,798)
Finance income	3	–	3
Net finance costs	<u>(3,795)</u>	<u>–</u>	<u>(3,795)</u>
<b>Loss before taxation</b>	<u>(2,863)</u>	<u>1,173</u>	<u>(1,690)</u>
Taxation	(51)	–	(51)
<b>Loss for the year after taxation</b>	<u>(2,914)</u>	<u>1,173</u>	<u>(1,741)</u>
<b>Attributable to owners of the parent</b>	<u>(2,880)</u>	<u>1,173</u>	<u>(1,707)</u>
<b>Attributable to the non-controlling interest</b>	<u>(34)</u>	<u>–</u>	<u>(34)</u>
	<u>(2,914)</u>	<u>1,173</u>	<u>(1,741)</u>

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

UK GAAP to IFRS reconciliation of the Consolidated Statement of Comprehensive Income as at 31 March 2017

	<i>UK GAAP</i> £'000	<i>IFRS</i> <i>adjustments</i> £'000	<i>IFRS</i> £'000
Revenue	19,388	–	19,388
Cost of sales	(11,400)	–	(11,400)
<b>Gross profit</b>	<b>7,988</b>	<b>–</b>	<b>7,988</b>
Operating expenses	(5,971)	1,174	(4,797)
Other operating income	10	–	10
<b>Group operating profit</b>	<b>2,027</b>	<b>1,174</b>	<b>3,201</b>
<b>Analysed as:</b>			
Adjusted EBITDA <sup>1</sup>	4,199	–	4,199
Depreciation	(729)	–	(729)
Amortisation	(1,398)	1,174	(224)
Exceptional items	(45)	–	(45)
<b>Group operating profit</b>	<b>2,027</b>	<b>1,174</b>	<b>3,201</b>
Finance costs	(4,366)	–	(4,366)
Finance income	1	–	1
Net finance costs	(4,365)	–	(4,365)
<b>Loss before taxation</b>	<b>(2,338)</b>	<b>1,174</b>	<b>(1,164)</b>
Taxation	(331)	–	(331)
<b>Loss for the year after taxation</b>	<b>(2,669)</b>	<b>1,174</b>	<b>(1,495)</b>
<b>Attributable to owners of the parent</b>	<b>(2,633)</b>	<b>1,174</b>	<b>(1,459)</b>
<b>Attributable to the non-controlling interest</b>	<b>(36)</b>	<b>–</b>	<b>(36)</b>
	<b>(2,669)</b>	<b>1,174</b>	<b>(1,495)</b>

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

UK GAAP to IFRS reconciliation of the Consolidated Statement of Comprehensive Income as at 31 March 2018

	<i>UK GAAP</i> £'000	<i>IFRS</i> <i>adjustments</i> £'000	<i>IFRS</i> £'000
Revenue	21,891	–	21,891
Cost of sales	(12,962)	–	(12,962)
<b>Gross profit</b>	<b>8,929</b>	<b>–</b>	<b>8,929</b>
Operating expenses	(6,351)	1,174	(5,177)
Other operating income	56	–	56
<b>Group operating profit</b>	<b>2,634</b>	<b>1,174</b>	<b>3,808</b>
<b>Analysed as:</b>			
Adjusted EBITDA <sup>1</sup>	4,947	–	4,947
Depreciation	(563)	–	(563)
Amortisation	(1,627)	1,174	(453)
Exceptional items	(123)	–	(123)
<b>Group operating profit</b>	<b>2,634</b>	<b>1,174</b>	<b>3,808</b>
Finance costs	(4,192)	–	(4,192)
Finance income	4	–	4
Net finance costs	(4,188)	–	(4,188)
<b>Loss before taxation</b>	<b>(1,554)</b>	<b>1,174</b>	<b>(380)</b>
Taxation	270	–	270
<b>Loss for the year after taxation</b>	<b>(1,284)</b>	<b>1,174</b>	<b>(110)</b>
<b>Attributable to owners of the parent</b>	<b>(1,233)</b>	<b>1,174</b>	<b>(59)</b>
<b>Attributable to the non-controlling interest</b>	<b>(51)</b>	<b>–</b>	<b>(51)</b>
	<b>(1,284)</b>	<b>1,174</b>	<b>(110)</b>

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

## PART IV

### UNAUDITED PRO FORMA STATEMENT OF NET ASSETS

The unaudited pro forma statement of net assets set out below has been prepared by the Directors to illustrate the effect on the Group's net assets of the pre-Admission reorganisation, the Placing proceeds ('Proceeds'), the costs of the Placing and Admission (the "Costs") and the repayment of existing debt and other loans and as if they had taken place on 31 March 2018.

The unaudited pro forma statement of net assets is compiled on the basis set out in the notes below from the consolidated statement of financial position of the Group as at 31 March 2018, as set out in Section B of Part III ("Historical Financial Information"). This unaudited pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results. It may not, therefore, give a true picture of the Group's financial position or results nor is it indicative of the results that may or may not be expected to be achieved in the future. Prospective investors should read the whole of this Document and not rely solely on the summarised financial information contained in this Part IV.

<i>Assets</i>	<i>As at 31 March 2018 £'000 (Note<sup>1</sup>)</i>	<i>Net proceeds of the Placing receivable by the Company £'000 (Note<sup>2</sup>)</i>	<i>Acquisition of ordinary shares £'000 (Note<sup>3</sup>)</i>	<i>Repayment of existing debt and redemption of preference shares £'000 (Note<sup>4</sup>)</i>	<i>Total £'000 (Note<sup>5</sup>)</i>
<b>Non-current assets</b>					
Property, plant and equipment	1,401	–	–	–	1,401
Goodwill and other intangibles	20,005	–	25,389	–	45,394
Deferred tax asset	177	–	–	–	177
<b>Total non-current assets</b>	<b>21,583</b>	<b>–</b>	<b>25,389</b>	<b>–</b>	<b>46,972</b>
<b>Current assets</b>					
Inventory	1,842	–	–	–	1,842
Trade and other receivables	8,756	–	–	–	8,756
Cash and cash equivalents	2,617	61,240	(12,369)	(40,629)	10,859
<b>Total current assets</b>	<b>13,215</b>	<b>61,240</b>	<b>(12,369)</b>	<b>(40,629)</b>	<b>21,457</b>
<b>Total assets</b>	<b>34,798</b>	<b>61,240</b>	<b>13,020</b>	<b>(40,629)</b>	<b>68,429</b>
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Other interest bearing loans and borrowings	32,521	–	–	(33,462)	(941)
Trade and other payables	5,430	–	–	(5,430)	–
<b>Total non-current liabilities</b>	<b>37,951</b>	<b>–</b>	<b>–</b>	<b>(38,892)</b>	<b>(941)</b>
<b>Current liabilities</b>					
Trade and other payables	6,665	–	–	(1,737)	4,928
<b>Total current liabilities</b>	<b>6,665</b>	<b>–</b>	<b>–</b>	<b>(1,737)</b>	<b>4,928</b>
<b>Total liabilities</b>	<b>44,616</b>	<b>–</b>	<b>–</b>	<b>(40,629)</b>	<b>3,987</b>
<b>Net assets</b>	<b>(9,818)</b>	<b>61,240</b>	<b>13,020</b>	<b>–</b>	<b>64,442</b>

## Explanatory notes

1. The net assets of the Group as at 31 March 2018 have been extracted without adjustment from the Historical Financial Information contained in Part III of this document.
2. The adjustment represents the receipt by the Company of the net proceeds from the Placing less fees and expenses. The gross proceeds of the Placing were £61.8 million, of which £61.2 million was received by the company net of expenses payable of £0.6 million. The costs attributable to the issue of new ordinary shares will be deducted from share premium and the other costs attributable to the Admission will be expensed. All other costs in connection with the Admission and Placing have been borne by the Sellers.
3. This column reflects the consideration due to the existing shareholders of Tekmar Limited, which comprises cash of £12.4 million and new Shares in the Company of £3.2 million in return for their equity shareholdings in Tekmar Limited, and the associated consolidation adjustment to account for the Acquisition.

The Board will be required to undertake a fair value exercise of the identifiable assets and liabilities of the acquired business of Tekmar Limited to assess the purchase price for accounting purposes to be included in the financial statements for the year ending 31 March 2019. For the interim results to 30 September 2018, a provisional assessment will be included. This fair value exercise may result in adjustments to the carrying value of the Tekmar Group plc's balance sheet line items. The provisional increase in the goodwill and other intangibles is shown as £25.4 million which represents the difference between the total consideration paid of £15.6 million and the net liabilities acquired of £9.8 million.

4. This column reflects the cash outflow of £40.6 million on for repayment of Group Debt and Preference Shares together with the interest and dividends accrued thereon, and includes approximately £1 million accrued in the period from 31 March 2018 up to the date of Admission. The debt repayments have been financed by the net proceeds of the Placing and existing Group cash.
5. This column comprises the sum of the preceding columns and represents the pro forma net assets of the Group as at 31 March 2018 assuming the Admission, the Placing and the repayment of Group Debt and Preference Shares had all occurred on that date. No adjustment has been made to take account of trading results, cash movements, or other transactions undertaken by the Group since 31 March 2018.

## PART V

### ADDITIONAL INFORMATION

#### 1. RESPONSIBILITY

The Company and the Directors, whose names and functions appear on pages 25 and 26 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. THE COMPANY

- 2.1 The Company is domiciled in the United Kingdom and was incorporated and registered in England and Wales as a public company limited by shares on 25 May 2018 under the Companies Act 2006 with the name Tekmar Group plc and with registered number 11383143.
- 2.2 On 6 June 2018 the Registrar of Companies issued a certificate to commence business under section 761 of the Companies Act 2006.
- 2.3 The Company has no administrative, management or supervisory bodies other than the Board, the Remuneration Committee, the Nomination Committee, and the Audit Committee. The Company is governed by its Articles of Association and the principal legislation under which the Company operates and pursuant to which the New Shares will be issued is the Companies Act and subordinate legislation made under the Companies Act.
- 2.4 The Company's registered office and principal place of business is Unit 1, Park 2000, Millennium Way, Aycliffe Business Park, Newton Aycliffe, County Durham, DL5 6AR. The telephone number at that address is 01325 379520.
- 2.5 In addition, the Company's subsidiary AgileTek operates from The Print Rooms, 164-180, London, SE1 0LH.
- 2.6 The address of the Company's website which discloses the information required by Rule 26 of the AIM Rules for companies is [www.tekmar.co.uk](http://www.tekmar.co.uk).
- 2.7 The principal activity of the Company and the Group is the provision of subsea cable, umbilical and flexible pipe protection systems and offshore engineering services for the global offshore wind and subsea oil and gas markets.
- 2.8 The liability of the members of the Company is limited.
- 2.9 The Company is the ultimate holding company of the Group. The Company has seven subsidiaries details of which are set out below:

<i>Name</i>	<i>Date of incorporation</i>	<i>Country of incorporation</i>	<i>Issued share capital</i>	<i>Principal activity</i>	<i>% of issued share capital held by the Company (as at Admission)</i>
Tekmar Limited	19 August 2011	UK	£2,399,880	Design, manufacture and supply of subsea cable, umbilical and flexible protection systems across the Offshore Wind, Oil & Gas and other energy sectors	100% (direct)

<i>Name</i>	<i>Date of incorporation</i>	<i>Country of incorporation</i>	<i>Issued share capital</i>	<i>Principal activity</i>	<i>% of issued share capital held by the Company (as at Admission)</i>
Tekmar Holdings Limited	1 August 2011	UK	£1	Design, manufacture and supply of subsea cable, umbilical and flexible protection systems across the Offshore Wind, Oil & Gas and other energy sectors	100% (indirect)
Tekmar GmbH	9 February 2015	Germany	€25,000	Design, manufacture and supply of subsea cable, umbilical and flexible protection systems across the Offshore Wind, Oil & Gas and other energy sectors	100% (indirect)
AgileTek Engineering Limited	6 November 2014	UK	£90	Subsea engineering services	100% (indirect)
Tekmar Energy Limited	27 June 2007	UK	£46	Design, manufacture and supply of subsea cable, umbilical and flexible protection systems across the Offshore Wind, Oil & Gas and other energy sectors	100% (indirect)
Tekmar Polyurethanes Limited	29 January 2007	UK	£100	Design, manufacture and supply of subsea cable, umbilical and flexible protection systems across the Offshore Wind, Oil & Gas and other energy sectors	100% (indirect)
Tekmar EBT Limited	10 May 2012	UK	£1	Corporate trustee for an employee share trust established to facilitate employee share ownership in TL	100% (direct)

### **3. REORGANISATION AND COMPLETION**

- 3.1 Prior to Admission, the Escrow Parties signed and deposited the Escrow Documents with Womble Bond Dickinson (UK) LLP, who acting as escrow agent under the terms of the Escrow Agreement, will hold such documentation until Admission.
- 3.2 Included within the Escrow Documents are declarations of trust which the Sellers have signed and will transfer the beneficial ownership in the TL Shares to the Company for value immediately on Admission in accordance with the terms of the Acquisition Agreement. Legal title to the TL Shares will transfer to the Company immediately on Admission pursuant to stock transfer forms signed by the Sellers for nil consideration. Also included within the Escrow Documents is the declaration of trust signed by Steven Rossiter which will transfer the beneficial ownership in the AgileTek Shares to THL for value immediately on Admission in accordance with the terms of the AgileTek SPA. Legal title to

the AgileTek Shares will transfer to THL immediately on Admission under the stock transfer form signed by Steven Rossiter for nil consideration.

- 3.3 On Admission the Escrow Documents will be dated and released from escrow and completion of the Acquisition and the Reorganisation (as detailed below) will occur. Following completion under the Acquisition Agreement the Company will be the holding company for the Group. Please see paragraph 18.1 below for further details of the Acquisition Agreement.

**Repayment of Group debt**

- 3.4 £24,760,402 of the Placing Proceeds will be applied by the Group to the repayment of the Group debt.
- 3.5 Pursuant to the terms of the Acquisition Agreement the Company is obligated to procure the repayment of all principal and accrued interest as at Admission in respect of the Elysian Loan Notes to the value of £5,870,840, the Opera Finance Loan Notes to the value of £2,233,540 and the Term Loan by THL to the value of £16,656,022. This will be achieved by the Company investing £24,760,402 in TL under the terms of the TL Subscription Letter. TL will in turn, invest £24,760,402 in THL under the terms of the THL Subscription Letter. THL will then be sufficiently funded to enable it to redeem in full the Elysian Loan Notes, the Opera Finance Loan Notes and repay all amounts of principal and accrued interest under the Term Loan.

**Funding of Cash Consideration**

- 3.6 £28,170,758 of the Placing Proceeds will fund the cash consideration payable to the Sellers for the sale of the TL Shares under the Acquisition Agreement.
- 3.7 The consideration payable by the Company for the TL Shares (excluding the Preference Shares) will be £10,794,560 payable as cash consideration to Elysian, Opera Finance, the EBT Beneficiaries and Colin Turner and £3,068,840 to be satisfied by the allotment and issue of the Consideration Shares to the Management Sellers, as well as £1,507,358 payable as cash consideration to the Management Sellers.
- 3.8 The Company will pay £11,692,831 to Elysian for its 7,073,685 Preference Shares and £4,176,009 to Opera Finance for its 2,526,315 Preference Shares.

**Tekmar EBT**

- 3.9 On 14 June 2018 TL waived a debt of £5,600 due to it from Tekmar EBT.
- 3.10 On 14 June 2018 Tekmar EBT entered into declarations of trust pursuant to which Tekmar EBT agreed to hold 375,000 B ordinary shares of £0.10 each ("B Shares") and 3,174,020 E ordinary shares of £0.01 each ("E Shares") in the capital of TL upon trust for, and as the nominee of the EBT Beneficiaries ("**EBT Shares**") in the following amounts:

<i>EBT Beneficiary</i>	<i>Number of shares</i>
James Ritchie-Bland	117,310 B Shares 992,918 E Shares
Susan Hurst	151,771 B Shares 1,284,599 E Shares
Jack Simpson	39,967 B Shares 338,281 E Shares
Russell Edmondson	40,145 B Shares 339,789 E Shares
Charlie Sullivan	25,807 B Shares 218,433 E Shares

- 3.11 The EBT Beneficiaries have directed Tekmar EBT to transfer the legal interest in the EBT Shares to the Company under the terms of the Acquisition Agreement, the cash proceeds for which Tekmar EBT will direct are remitted on completion of the Acquisition Agreement to the EBT Beneficiaries, net of all applicable income tax deductions and employee's National Insurance contributions.

### **Acquisition of minority interest in AgileTek**

- 3.12 THL entered into the Agiletek SPA on 14 June 2018 pursuant to which it has agreed to acquire 20 ordinary shares of £1 each in the capital of Agiletek held by Steven Rossiter ("**AgileTek Shares**"). In consideration for purchasing the AgileTek Shares, THL will issue £200,000 (nominal) unsecured loan notes to Steven Rossiter. TL will in turn, acquire the THL Loan Notes in consideration for the issue by TL of £200,000 (nominal) unsecured loan notes to Steven Rossiter.
- 3.13 The Company will then acquire the TL Loan Notes held by Steven Rossiter in consideration for the issue to Steven Rossiter of 102,564 Consideration Shares and a cash payment of £66,667. Please see paragraph 18 below for further details of the AgileTek SPA.
- 3.14 Steven Rossiter has entered into a declaration of trust pursuant to which he will transfer for value the beneficial interest in the AgileTek Shares to THL. Steven Rossiter has also signed a stock transfer form under which legal title to the AgileTek Shares will transfer to THL on Admission.

### **TL Share reorganisation**

- 3.15 Following completion of the Acquisition, TL will:
- (a) subdivide each A ordinary share of £0.01 in the capital of TL into 10 A ordinary shares of £0.001 in the capital of TL ("**TL A Shares**");
  - (b) subdivide each B ordinary share of £0.10 in the capital of TL into 100 B ordinary shares of £0.001 in the capital of TL ("**TL B Shares**");
  - (c) subdivide each C ordinary share of £0.10 in the capital of TL into 100 C ordinary shares of £0.001 in the capital of TL ("**TL C Shares**");
  - (d) subdivide each E ordinary share of £0.01 in the capital of TL into 10 E ordinary shares of £0.001 in the capital of TL ("**TL E Shares**"); and
  - (e) redesignate all of the TL A Shares, TL B Shares, TL C Shares, D ordinary shares of £0.001 in the capital of TL; TL E Shares and Preference Shares of £0.001 in the capital of TL as ordinary shares of £0.001 in the capital of TL ("**New TL Shares**"); and
  - (f) adopt new articles of association of the Company setting out the rights of the New TL Shares.

## **4. SHARE CAPITAL**

- 4.1 At the date of its incorporation, the issued share capital of the Company was £0.01 consisting of 1 Share of £0.01 which was issued fully paid to Kenneth Terry.
- 4.2 Pursuant to the terms of a subscription agreement dated 29 May 2018 James Ritchie-Bland subscribed for 5,000,000 Redeemable Shares of £0.01 each in the capital of the Company and gave a written undertaking to the Company to pay the subscription amount of £50,000 in cash on or before 29 May 2020 or sooner upon written demand by the Company.
- 4.3 The Redeemable Shares are subject to the following rights:
- (i) the holders of the Redeemable Shares are not entitled to participate in the profits of the Company;
  - (ii) on a return of capital of the Company on a winding-up or otherwise, the holders of the Redeemable Shares shall be entitled to receive, out of the assets of the Company available for distribution to its Shareholders, the sum of, in aggregate, £0.01, but shall not be subject to any further participation in the assets of the Company;
  - (iii) a holder of Redeemable Shares shall have no right to attend, speak or vote, either in person or by proxy, at any general meeting of the Company or at a meeting of any class of members of the Company in respect of the Redeemable Shares (save where required by law) and shall not be entitled to receive any notice of meeting;
  - (iv) the Redeemable Shares may not be transferred, save with the prior consent of the board of directors of the Company; and
  - (v) the Company may redeem the Redeemable Shares for consideration of £0.01 per share at any time.

It is intended that the Redeemable Shares will be redeemed shortly after Admission out of the proceeds of the Placing received by the Company.

The amount payable by James Ritchie-Bland pursuant to the undertaking to pay the subscription amount of £50,000 in respect of the Redeemable Shares will be reduced by way of set off against the amount payable by the Company to James Ritchie-Bland on redemption of the Redeemable Shares.

4.4 On 29 May 2018, the subscriber 1 Share of £0.01 was transferred by Kenneth Terry to James Ritchie-Bland.

4.5 The New Shares will be issued in accordance with resolutions of the Company passed on 12 June 2018 at a general meeting of the Company, conditionally on Admission taking place, which:

4.5.1 generally and unconditionally authorises and empowers the Directors in accordance with section 551 of the Companies Act to allot Shares or to grant options or other rights to subscribe for or to convert any security into Shares:

- (a) up to an aggregate nominal amount of £500,000 in respect of the New Shares;
- (b) up to an aggregate nominal amount of £67,500 in respect of equity securities (as defined in Section 560 of the Companies Act);
- (c) up to an aggregate nominal amount of £166,666, (such amount to be reduced by the nominal amount of any equity securities (as defined in Section 560 of the Companies Act) allotted under sub-paragraph 4.5.1(d) below in excess of £166,666) representing approximately one third of the aggregate nominal amount of the Company's issued share capital on Admission; and
- (d) up to an aggregate nominal amount of £333,333 (such amount to be reduced by the nominal amount of any equity securities (as defined in Section 560 of the Companies Act) allotted under sub-paragraph 4.5.1(c) above) representing approximately two thirds of the aggregate nominal amount of the Company's issued share capital on Admission, in the form of equity securities (as defined in Section 560 of the Companies Act ) in connection with an offer by way of a rights issue in favour of Shareholders in proportion to their existing shareholdings on the record date of such allotment (as nearly as may be practicable) and to holders of any other equity securities entitled to participate or, subject to such rights, as the Directors otherwise consider necessary and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

such authorities to expire (unless previously revoked, varied or renewed) in the case of the authority in sub-paragraph 4.5.1 (a), immediately following Admission and in the case of the authorities described in sub-paragraphs 4.5.1 (b), 4.5.1 (c) and 4.5.1 (d) on the earlier of the conclusion of the first annual general meeting of the Company following Admission and the close of business on the date falling 15 months after the date of the passing of the resolution (save that the Company may before the expiry of such periods make offers or agreements which would or might require shares to be allotted or rights to be granted after the expiry of these authorities and the Directors may allot shares or grant rights in pursuance of any such offer or agreement to subscribe for or convert any security into shares notwithstanding the authority conferred has expired);

4.5.2 empower the Directors pursuant to section 570 of the Companies Act to allot equity securities (within the meaning of section 560 of the Companies Act) for cash and/or to sell Shares held by the Company as treasury shares as if section 561 of the Companies Act did not apply to such allotment or sale:

- (a) pursuant to the authority described in sub-paragraph 4.5.1(a);
- (b) pursuant to the authority described in sub-paragraph 4.5.1 (b);
- (c) pursuant to the authorities described in sub-paragraphs 4.5.1(c) and 4.5.1(d) above but limited to:

- (i) any such allotment and/or sale of equity securities in connection with an offer or issue by way of rights or other pre-emptive offer or issue in favour of the holders of Shares in proportion (as nearly as may be practicable) to their existing holdings (and to holders of other equity securities as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary) and so that the Directors may impose any limits or restrictions and make any arrangements which they consider necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter;
- (ii) up to an aggregate nominal amount of £25,000, being equal to five per cent. of the aggregate nominal amount of the Company's issued share capital on Admission; and
- (iii) up to a further aggregate nominal amount of £25,000, being equal to five per cent. of the aggregate nominal amount of the Company's issued share capital on Admission, provided that any allotment of equity securities under this sub-paragraph 4.5.2(c)(iii) shall only be used for the purposes of financing (or refinancing, if the authority is to be used within six months of the original transaction) a transaction which the Board of the Company determines to be an acquisition or other specified capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of the resolution

such powers to expire (unless previously revoked, varied or renewed) in the case of the authorities in sub-paragraph 4.5.2(a) immediately following Admission and in the case of the authorities in sub-paragraph 4.5.2(b) and sub-paragraph 4.5.2 (c) on the earlier of the conclusion of the first annual general meeting of the Company following Admission and the close of business on the date falling 15 months after the date of the passing of this resolution (save that the Company may before the expiry of such periods make offers or agreements which would or might require equity securities to be allotted or granted (and treasury shares to be sold) after the expiry of these authorities and the Directors may allot equity securities (and sell treasury shares) in pursuance of any such offer or agreement as if the authority had not expired.

4.5.3 The rules constituting the Share Option Schemes were approved on 14 June 2018 and the directors of the Company were authorised to establish and to operate and to administer the Share Option Schemes in accordance with their rules and to do all acts and things and execute all such documents as they may in their absolute discretion consider necessary or expedient to implement and carry the Share Option Schemes into effect.

4.6 The issued share capital of the Company at the date of this document is as follows:

	<i>Issued (fully paid)</i>	
	<i>Number</i>	<i>Aggregate nominal value £</i>
Shares	1	0.01
Redeemable Shares	5,000,000	50,000

4.7 Immediately following the Placing, the Acquisition, the Reorganisation and Admission, the issued share capital of the Company will be as follows:

	<i>Issued (fully paid)</i>	
	<i>Number</i>	<i>Aggregate nominal value £</i>
Shares	50,000,000	500,000

4.8 Except as disclosed in paragraph 10 below no share capital of the Company, or of any other company within the Group, is under option or has been agreed, conditionally or unconditionally, to be put under option.

- 4.9 The Company does not have an authorised share capital and there is therefore no authorised but unissued share capital.
- 4.10 Save as disclosed in this Part V, since 31 March 2018 (being the date of the most recent balance sheet included in Part III of this document):
- 4.10.1 no share or loan capital of the Company has been issued, or is now proposed to be issued (other than pursuant to the Placing or on the exercise of the Options to be issued under the Share Option Schemes), fully or partly paid, either for cash or other consideration to any person;
  - 4.10.2 no person has any preferential subscription rights for any share capital of the Company;
  - 4.10.3 the Company does not hold any treasury shares (i.e. Shares held by the Company) and none of the Company's wholly owned subsidiaries, holds any of the Shares;
  - 4.10.4 the Company has no convertible securities, exchangeable securities or securities with warrants in issue; and
  - 4.10.5 there are no acquisition rights or obligations over the authorised but unissued share capital of the Company and there is no undertaking to increase the share capital of the Company.
- 4.11 The Shares have been created under the Companies Act.
- 4.12 The New Shares will on Admission rank *pari passu* in all respects with the Existing Shares (excluding the Redeemable Shares) including the right to receive all dividends and other distributions declared, made or paid after the date of this document. The Shares are freely transferable in accordance with the Articles.
- 4.13 The Shares are in registered form and may be held either in certificated form or in uncertificated form through CREST. The Articles permit the Company to issue shares in uncertificated form.
- 4.14 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises or a time limit after which entitlement to dividend lapses and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 4.15 Save for the Options, the Company does not have in issue any securities not representing share capital.
- 4.16 There are no issued but not fully paid Shares.
- 4.17 Other than pursuant to the Placing, the Shares are not being marketed or being made available to the public in whole or in part in conjunction with the application for Admission.
- 4.18 The Existing Shares have not been admitted to listing or dealing on any recognised investment exchange or other trading facility, nor has any application for such admission been made and it is not intended to make any arrangements for dealings in the Shares on any such exchange other than the application to be made in connection with Admission.
- 4.19 The currency of the issue is Sterling.
- 4.20 The expected issue date of the New Shares is 20 June 2018.

## **5. ARTICLES OF ASSOCIATION**

The Articles of Association of the Company (**Articles**) contain, *inter alia*, provisions to the following effect:

### **5.1 Objects**

The Articles contain no specific restrictions on the Company's objects and therefore, by virtue of section 31(1) of the Companies Act, the Company's objects are unrestricted.

## 5.2 **Voting Rights**

### 5.2.1 *Votes attaching to members*

Subject to any special rights or restrictions as to voting attached by, or in accordance with, the Articles to any class of shares, on a show of hands the number of votes each member has, whether voting in person or by proxy, is as set out in section 284 and 285 of the Companies Act.

### 5.2.2 *No voting rights where calls outstanding*

No member shall, unless the directors otherwise determine, be entitled to vote if any call or other sum presently payable by him to the Company in respect of such shares remains unpaid.

## 5.3 **Alteration of Capital**

The Articles do not impose any conditions governing changes in the capital of the Company which are more stringent than required by law. The Company may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger nominal value, subdivide all or any of its shares into shares of a smaller nominal value and cancel any shares not taken, or agreed to be taken, by any person.

The Company may, subject to the Companies Act, by special resolution reduce or cancel its share capital or any capital redemption reserve or share premium account.

Subject to and in accordance with the provisions of the Companies Act, the Company may purchase its own shares (including any redeemable shares), provided that the Company shall not purchase any of its shares unless such purchase has been sanctioned by a special resolution passed at a separate meeting of the holders of any class of shares convertible into equity share capital of the Company.

## 5.4 **Transfer of Shares**

### 5.4.1 *Transfer of shares held in uncertificated form*

Title to shares held in uncertificated form may be transferred by means of a relevant system (as defined in the Uncertificated Securities Regulations 2001).

### 5.4.2 *Form of transfer*

Transfers of shares held in certificated form may be in any usual or common form or in any other form which the directors may approve and may be under hand only. The instrument of transfer shall be executed by or on behalf of the transferor and (unless the shares are fully paid) by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register of members in respect of such shares.

The directors may in their absolute discretion refuse to register any transfer of shares:

- (a) in certificated form (not being fully paid shares) provided that the exercise of such discretion does not prevent dealings in the shares from taking place on an open and proper basis; and
- (b) (whether fully paid or not and whether in certificated or uncertificated form) in favour of more than four persons jointly.

The directors may decline to recognise any instrument of transfer of a share in certificated form unless the instrument of transfer is in respect of only one class of share and is lodged accompanied by the relevant share certificate(s) and such other evidence as the directors may reasonably require.

The directors may refuse to register a transfer of a share in uncertificated form in any case where the Company is entitled to refuse (or exempted from the requirement) under the Uncertificated Securities Regulations 2001 to register the transfer.

The directors may also decline to register a transfer of shares (except for certain types of transfer) after there has been a failure to provide the Company with information concerning interest in those shares required to be provided under the Articles or the Companies Act until such failure has been remedied.

#### 5.5 **Pre-emption**

There are no pre-emption rights on transfer attaching to the Shares.

In certain circumstances, the Company's shareholders will have statutory pre-emption rights under the Companies Act in respect of the allotment of New Shares for cash in the Company, which would require the Company to offer the New Shares being allotted to existing shareholders on a *pro rata* basis before allotting them to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to the company's shareholders.

#### 5.6 **Return of capital on a winding up**

The liquidator may, with a sanction of a special resolution of the Company and any other sanction required by the Companies Acts, divide among the members in specie or kind the whole or any part of the assets of the Company and may, for that purpose, value any assets as he deems fair and determine and how the division should be carried out as between the members or different classes of members. The liquidator may with the like sanction also vest the whole or any part of the assets in trust for the benefit of the members, but no member shall be compelled to accept any assets upon which there is a liability.

#### 5.7 **Dividends and other distributions**

##### 5.7.1 *Final dividends*

The Company may by an ordinary resolution declare dividends provided that no dividend shall be paid other than out of profits available for distribution and no dividend shall exceed the amount recommended by the directors.

##### 5.7.2 *Interim and fixed dividends*

If and so far as, in the opinion of the directors, the profits of the Company justify such payments, the directors may declare and pay the fixed dividend on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as it thinks fit.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid and shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid *pro rata* according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid on a share in advance of calls shall be treated as paid on the share.

##### 5.7.3 *The retention of dividends*

The directors may retain any dividend or other monies payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The directors may withhold the dividend payable on shares after there has been a failure to provide the Company with information concerning interest in those shares required to be provided under the Companies Act until such failure has been remedied.

##### 5.7.4 *Unclaimed dividend*

Any dividend unclaimed after a period of six years from the date the dividend became due for payment should be forfeited and shall revert to the Company.

#### 5.7.5 *Right to receive additional shares instead of cash*

The Board may with the prior sanction of an ordinary resolution of the Company offer the holders of ordinary shares the right to elect to receive ordinary shares, credited as fully paid, instead of cash in respect of a dividend or dividends.

The Board may make exclusions or restrictions as respects the right to elect to receive ordinary shares instead of cash as it thinks necessary or desirable in relation to compliance with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory.

#### 5.7.6 *Distribution in specie*

The Company may upon the recommendation of the directors by ordinary resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid up shares or debentures of any other company) and the directors shall give effect to such resolution.

Where any difficulty arises in regard to distribution, the Board may settle the matter as it thinks expedient and in particular may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Board.

### 5.8 **Disclosure of interests**

If a member or any other person whom the Company knows or has reasonable cause to believe to be interested in Shares or to have been so interested within the preceding three years has been served with notice under section 793 of the Companies Act and has failed to supply the Company within the period specified in the notice with the required information, then the Board may direct that such member shall not be entitled to attend meetings of the Company and to exercise voting rights in respect of the shares which are the subject of such notice. Where the holding represents more than 0.25 per cent. of the issued shares of that class, additionally the payment of dividends may be withheld and such member shall not be entitled to transfer such shares otherwise than by (*inter alia*) an arm's length sale.

### 5.9 **Redemption**

There are no redemption rights attaching to ordinary shares.

### 5.10 **Capitalisation of profits and reserves**

The directors may, with the sanction of any ordinary resolution of the Company, capitalise any sum standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of profit and loss account by appropriating such sum to the holders of ordinary shares in proportion to their holdings of ordinary shares and applying such sum on their behalf in paying up in full unissued shares.

### 5.11 **Variation of Rights**

The special rights attached to any class of shares may (subject to the provisions of the Companies Act unless otherwise provided by those rights) be varied or abrogated either with the consent in writing of the holders of three quarters in nominal value of the issued shares of the class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class but not otherwise. The special rights attached to any class of shares having preferential rights shall not, unless otherwise expressly provided by the terms of issue, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits and assets of the Company in some or all respects *pari passu* with them, but in no respect in priority to them. Special rights attached to the ordinary shares shall be deemed not to be varied by the creation or issue of any further shares ranking in priority to them.

## 5.12 **Forfeiture and Lien**

### 5.12.1 *Notice on failure to pay a call*

If a member fails to pay in full any call or instalment of a call on the due date for payment the directors may at any time after the failure serve a notice on him requiring payment and shall state that in the event of non-payment in accordance with such notice the shares on which the call was made will be liable to be forfeited.

### 5.12.2 *Lien on partly-paid shares*

The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such share.

### 5.12.3 *Sale of shares subject to lien*

The Company may sell in such manner as the directors think fit any share on which the Company has a lien, 14 clear days' after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell.

## 5.13 **Directors**

### 5.13.1 *Number of directors*

Unless otherwise determined by ordinary resolution the number of directors (other than any alternate directors) shall not be less than two but shall not be subject to any maximum.

### 5.13.2 *Other remuneration of directors*

Any director who holds any executive office or who serves on any committee of the directors, or who otherwise performs services which in the opinion of the directors are outside the scope of the ordinary duties of a director, may be paid such extra remuneration by way of salary, commission or otherwise as the directors or any committee of the directors may determine.

### 5.13.3 *Directors' expenses*

The directors may be paid all expenses properly incurred by them in attending meetings of the directors or committees of directors or shareholders' meetings or otherwise in connection with the discharge of their duties.

### 5.13.4 *Directors' appointments*

The Board may appoint one or more of their number to the office of Managing Director or to any other executive office under the Company, may enter into an agreement or arrangement with any director for his employment by the Company or for the provision by him of any services outside the scope of the ordinary duties of a director and may permit any person appointed to be a director to continue in any other office or employment held by him in the Company before he was so appointed. Any such appointment, agreement or arrangement may be made upon such terms as the Board or any committee of the Board may determine and it may remunerate any such Director for his services as it thinks fit.

Any appointment of a director to an executive office shall terminate if he ceases to be a director but without prejudice to any claim to damages for breach of the contract of service between the director and the Company.

### 5.13.5 *Directors' pensions and other benefits*

The Company may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any director or former director and for any member of his family or dependent, and may contribute to any fund and pay premiums for the provision or purchase of any such benefit.

### 5.13.6 *Appointment and Retirement by rotation*

A director shall retire from office (but may offer himself for re-election by the members) at the first annual general meeting after his appointment and thereafter shall retire from office (and may again offer himself for re-election) at the third annual general meeting after the annual general meeting at which he was last re-appointed.

If the Company, at the meeting at which a director retires, does not fill the vacancy the retiring director shall, if willing to act, be deemed to have been reappointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the reappointment of the director is put to the meeting and lost or if the retiring director has given notice in writing to the Company that he is unwilling to be re-elected.

No person other than a director retiring at the meeting shall, unless recommended by the Board for election, be eligible for appointment or reappointment as a director at any general meeting unless not less than seven nor more than 42 days' notice in writing signed by some member (other than the person to be proposed) of his intention to propose such person for election, together with notice in writing signed by the person to be proposed of his willingness to be appointed or reappointed.

Subject to this, the Company may by ordinary resolution appoint any person to be a director either to fill a casual vacancy or as an additional director. Without prejudice thereto the Board shall have power at any time so to do. Any person so appointed by the Board shall hold office only until the next annual general meeting and shall then be eligible for re-election.

#### 5.13.7 *Directors' Conflicts and Restrictions on voting*

The Articles give the directors power to authorise any matter where any director (or former director) has or may have a direct or indirect interest that conflicts or possibly may conflict with the interests of the Company provided that the director concerned and any other interested director do not vote on the matter and are not counted in any related quorum. In addition, a director is not allowed to vote (except as provided in the Articles) in respect of any contract, transaction or arrangement or other proposal in which he or any person connected with him has an interest. A director is not to be counted in the quorum at any meeting in relation to any resolution on which he is debarred from voting.

Subject to the Articles and provided a director has duly declared his interest in accordance with the Companies Act, a director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:

- (a) proposals relating to any indemnities or provision of funds from the Company in favour of the director which comply with the relevant provisions of the Articles;
- (b) proposals in which he has an interest only by virtue of interests in shares or debentures in the Company or by reason of any other interest in or through the Company;
- (c) the giving of any security, guarantee or indemnity in respect of:
  - (i) money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings; or
  - (ii) a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (d) where the Company or any of its subsidiary undertakings is offering securities in which offer he is or may be entitled to participate as a holder of securities, or in the underwriting or sub underwriting of which he is to participate;
- (e) any proposal concerning another company in which he and any persons connected with him do not to his knowledge hold an interest representing one per cent. or more of either any class of the equity share capital, or the voting rights, in such company;
- (f) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
- (g) any proposal concerning insurance which the Company proposes to purchase or maintain for the benefit of directors;
- (h) any proposal in which he has an interest of which he is not aware or an interest which cannot reasonably be regarded as likely to give rise to a conflict of interest; or
- (i) proposals in respect of which his interest or the interest of Directors generally has been authorised by an ordinary resolution of the Company.

#### 5.13.8 *Borrowing Powers*

Subject to the Articles and to the provisions of the Companies Acts, the directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The directors shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (so far, as regards subsidiaries, as by such exercise they can secure) that the aggregate amount for the time being remaining outstanding of all monies borrowed by the Company and its subsidiaries and for the time being owing to persons other than the Company and its subsidiaries shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to two times the Adjusted Capital and Reserves.

#### 5.14 ***Untraceable members***

The Company shall be entitled to sell, subject to various notice requirements, at the best price reasonably obtainable any share of a member if for a period of six years no communication has been received by the Company from the member and no cheque or warrant sent by the Company has been cashed and no fewer than three dividends (whether interim or final) have been paid by the Company and no such dividend has been claimed.

If cheques or warrants in respect of dividends are returned undelivered or are left uncashed on two consecutive occasions, the directors may cause the Company to cease sending such cheques or warrants by post to the member or person concerned.

#### 5.15 ***General Meetings***

The directors may call general meetings whenever they think fit, and on the requisition of members pursuant to the provisions of the Companies Act, shall immediately proceed to convene a general meeting in accordance with the provisions of that Act. Two qualifying persons present at the general meeting and entitled to vote upon the business to be transacted shall be a quorum.

Subject to the provisions of the Articles, notice of a general meeting shall be given to all the members on the register at the close of business on a day determined by the Company, to all persons entitled to a share in consequence of the death or bankruptcy of a member and to the directors and auditors.

A person who is a holder of ordinary shares at the time specified by the Company for a general meeting may, subject to the Articles and the Companies Act (i) attend and speak and vote at that meeting as a member, (ii) appoint another person, or two or more persons in respect of different shares held by him, as his proxy to exercise all or any of his rights to attend, speak and vote at the meeting or (iii) if it is a corporation, by resolution of its directors or other governing body authorise a person or persons to act as its representative or representatives at the meeting. Every such holder who is present at a general meeting as an individual or through the appointment of a corporate representative or proxy has one vote on a resolution put to the meeting on a show of hands and one vote for every share of which he is the holder on a resolution put to the meeting on a poll. Only the vote of the senior of joint holders will be counted to the exclusion of the votes of the other joint holders. Seniority is determined by the order in which the names of the holders appear in the Company's register of members in respect of the joint holding.

#### 5.16 ***Change in control***

There are no provisions in the Articles which would delay, defer or prevent a change in control of the issuer.

#### 5.17 ***Threshold above which share ownership must be disclosed***

There are no provisions in the Articles which impose a requirement to disclose share ownership above a certain threshold.

### **6. MANDATORY BIDS, SQUEEZE-OUT AND SELL-OUT**

6.1 The Company is subject to the City Code on Takeovers and Mergers (the "Code"). Brief details of the Panel on Takeovers and Mergers (the "Panel") and the Code are described below.

## 6.2 **Mandatory takeover bids under the Code**

- 6.2.1 The obligation to make a mandatory bid is a requirement of the Code. The Panel is an independent body which issues and administers the Code. The Panel has been designated as the supervisory authority to carry out certain regulatory functions in relation to takeovers pursuant to the Directive on Takeover Bids (2004/25/EC). Its statutory functions are set out in Part 28 of the Companies Act.
- 6.2.2 The Code will apply to the Company from Admission. The Code is designed principally to ensure that shareholders in an offeree company are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders in the offeree company of the same class are afforded equivalent treatment by an offeror.
- 6.2.3 The Code is based upon a number of General Principles which are essentially statements of standards of commercial behaviour. The General Principles are applied in accordance with their spirit in order to achieve the underlying purpose. In addition to the General Principles, the Code contains a series of rules. General Principle One states that all holders of securities of an offeree company of the same class must be afforded equivalent treatment and, if a person acquires control of a company, the other holders of securities must be protected. Rule 9 of the Code provides that, except with the consent of the Panel, when:
- (a) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carries 30 per cent. or more of the voting rights of a company to which the Code applies; or
  - (b) any person who, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested;  
  
then, that person and, depending on the circumstances, the persons acting in concert with him, must extend offers in cash to the holders of any class of equity share capital, whether voting or non-voting, and also to the holders of any other class of transferable securities carrying voting rights, to acquire the balance of the shares not held by him and his concert parties.
  - (c) The offer must be in cash at not less than the highest price paid for any shares by the person required to make the offer or any person acting in concert with him for any interest in shares of that class during the preceding 12 months.

## 6.3 **Compulsory acquisition – squeeze out under the Companies Act 2006**

Sections 974 to 991 of the Companies Act provide that, if following a takeover offer (as defined in section 974 of the Companies Act) an offeror acquires or contracts to acquire not less than 90 per cent. of the shares (both by value and by voting rights) to which such offer relates, it may then compulsorily acquire the outstanding shares which the offeror has not acquired or contracted to acquire. To do so, the offeror sends a notice to the holders of shares who had not accepted the offer informing them that it will compulsorily acquire their shares and six weeks from the date of the notice, it would execute a transfer of the outstanding shares in its favour and pay the consideration for the shares to the Company, which holds the consideration on trust for the relevant holders of shares. The consideration in respect of shares that are compulsorily acquired must, in general, be the same as the consideration that was available under the takeover offer.

## 6.4 **Compulsory acquisition – sell out under the Companies Act 2006**

Pursuant to sections 983 to 985 of the Companies Act, if an offeror acquires or contracts to acquire not less than 90 per cent. of the shares (both by value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer subject to certain time limits. The offeror is required to give any such holder of shares notice of his right to be bought out within one month of that right arising. Sell-out rights cannot be exercised by a shareholder after the end of the period of three months from the end of the period within which the offer can be accepted or, if later, three

months from the date of the notice which is served on the holder of shares notifying the holder of the holder's sell-out rights. If a holder of shares exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## 7. DIRECTORS

### 7.1 *Interests in Shares*

The interests of the Directors and of members of their respective families (as defined in the glossary to the AIM Rules) (all of which are beneficial unless otherwise stated) in Shares as at 14 June 2018 (being the most recent practicable date prior to the publication of this document), and immediately on Admission are as follows:

#### *Shares*

<i>Directors:</i>	<i>As at 14 June 2018</i>		<i>On Admission</i>	
	<i>No. of Shares</i>	<i>Percentage of issued share capital</i>	<i>No. of Shares</i>	<i>Percentage of Enlarged Issued Share Capital</i>
Alasdair MacDonald	–	–	434,526	0.87%
James Ritchie-Bland	1 Ordinary Share 5,000,000 Redeemable Shares	100%	1,013,375	2.03%
Susan Hurst	–	–	276,569	0.55%
Christopher Gill	–	–	19,230	0.04%
Julian Brown	–	–	19,230	0.04%

#### *Options to acquire Shares*

	<i>Type of scheme</i>	<i>Shares under option</i>		<i>Exercise Price</i>	<i>Exercise Dates</i>	
					<i>From</i>	<i>To</i>
James Ritchie-Bland	Tekmar Group plc IPO Incentive Scheme	900,000		£0.01	Third anniversary of Admission	Tenth anniversary of Admission
Susan Hurst	Tekmar Group plc IPO Incentive Scheme	350,000		£0.01	Third anniversary of Admission	Tenth anniversary of Admission

### 7.2 *Directorships*

Other than in respect of the Company, the Directors currently hold the following directorships and are partners in the following partnerships and have held the following directorships and been partners in the following partnerships within the five years prior to the publication of this document:

	<i>Current directorships and partnerships</i>	<i>Former directorships and partnerships held in last five years</i>
Alasdair MacDonald	Loadtec Engineered Systems Limited Loadtec Service Limited Loadtec Marine Limited In Control Projects Limited In Control Service Limited Lift-Rite Engineering Services Limited DDS Metals Limited Tyne Gangway Limited Tyne Gangway (Structures) Limited Lift-Rite Holdings Limited Benbecula Group Ltd Agiletek Engineering Limited Tekmar EBT Limited	Express Engineering (Group) Limited Seanamic Group Limited Caley Ocean Systems Limited Seanamic Limited Umbilicals International (UK) Limited

	<i>Current directorships and partnerships</i>	<i>Former directorships and partnerships held in last five years</i>
Alasdair MacDonald (cont)	Tekmar Limited Tekmar Holdings Limited Tekmar Energy Limited Tekmar Polyurethanes Limited	
James Ritchie-Bland	Agiletek Engineering Limited Estepona Mosaic SI Tekmar GmbH Tekmar Limited Tekmar Holdings Limited Tekmar Energy Limited	Subsea Innovation Limited Offshore Technologies Limited
Susan Hurst	Tekmar Limited Tekmar Holdings Limited Tekmar Polyurethanes Limited Tekmar EBT Limited Agiletek Engineering Limited Tekmar Energy Limited	
Christopher Gill	The Banks Group Limited	Walker Filtration Limited Benbecula Group Ltd Seanamic Limited Seanamic Group Limited Caley Ocean Systems Limited Umbilicals International UK Limited SMD Offshore Support Limited Specialist Machine Developments (Investment) Limited Bywell Holdings Limited SMD Closeco Limited Soil Machine Dynamics Limited Specialist Machine Developments (SMD) Limited SMD Robotics Limited Stadium Group Plc
Julian Brown	Julian Brown Assoc Ltd 8.2Aarufield Limited Renewable UK (Trade Association) 3Sun Group Limited	Julian Brown Associates LLP Insight Clean Energy Limited

- 7.3 Save as disclosed in this paragraph 7, at the date of this document none of the Directors have:
- 7.3.1 had any unspent convictions in relation to indictable offences;
  - 7.3.2 been declared bankrupt or entered into an individual voluntary arrangement;
  - 7.3.3 been a director of any company at the time of or within twelve months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors;
  - 7.3.4 been a partner in a partnership at the time of, or within twelve months preceding, any compulsory liquidation, administration or partnership voluntary arrangement of any such partnership;
  - 7.3.5 had any his asset which has been the subject of a receivership or has been a partner of a partnership at the time of or within the twelve months preceding any asset of the partnership being the subject of a receivership; or
  - 7.3.6 been subject to any public criticism by any statutory or regulatory authority (including any recognised professional body) or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

- 7.4 Mr Brown was a non-executive director of Insight Clean Energy Limited between 31 December 2014 and 18 March 2015. On 9 April 2015 the company entered voluntary creditors liquidation with a deficit of £65,000 due to creditors. The balance was subsequently settled by the founders.
- 7.5 There are no outstanding loans granted or guarantees provided by the Company to, or for the benefit of, any of the Directors.
- 7.6 Save as otherwise disclosed in this document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company since its incorporation and which remains in any respect outstanding or under-performed.
- 7.7 None of the Directors or any member of their respective families (as defined in the glossary to the AIM Rules) is interested in any related financial product referenced to the Shares (being a financial product whose value is, in whole or in part, determined directly or indirectly by reference to the price of the Shares, including a contract for difference or a fixed odds bet).
- 7.8 Alasdair MacDonald, James Ritchie-Bland and Susan Hurst have given an undertaking not to dispose of any of their Shares, save in certain specified circumstances, for the period of twelve months from the date of Admission and, for a further twelve month period, only to dispose, and that they shall procure that their associates will only dispose, of their Shares through Berenberg or the Company's broker at the relevant time, in accordance with orderly market principles. Further details of the Lock-in Agreement are set out in paragraph 18.9 of this Part V.

## **8. DIRECTORS' SERVICE AGREEMENTS AND LETTERS OF APPOINTMENT**

- 8.1 Directors' details of title and dates of appointment of the Directors are set out below:

<i>Name</i>	<i>Title/function</i>	<i>Date of appointment</i>
Alasdair MacDonald	Independent Non-Executive Chairman	25 May 2018
James Ritchie-Bland	Chief Executive Officer	25 May 2018
Susan Hurst	Chief Financial Officer	25 May 2018
Christopher Gill	Independent Non-Executive Director	31 May 2018
Julian Brown	Independent Non-Executive Director	31 May 2018

- 8.2 Alasdair MacDonald was appointed as Non-executive Chairman of the Company pursuant to a new letter of appointment dated 14 June 2018 which commences on Admission. Mr. MacDonald's appointment may be terminated on 6 months' notice by either party in writing. The letter also contains provisions for immediate termination of the appointment in certain standard circumstances, including, without limitation, in the event of a material breach of his obligations under the letter. With effect from Admission, Mr. MacDonald's annual fee is £70,000 per annum, subject to annual review, and he is required to spend a minimum of four/five days per month on work for the Company. Mr. MacDonald is also restricted in the use or disclosure of confidential information at any time during his appointment or following its termination.
- 8.3 James Ritchie-Bland was appointed as Chief Executive Officer of the Company pursuant to a service agreement dated 14 June 2018 with effect from Admission. The service agreement is terminable on 6 months' notice given by either party in writing. The Company may, in its discretion, make a payment in lieu of notice. The service agreement also contains provisions for termination by summary notice in certain standard circumstances, including, without limitation, any serious or repeated breach of the agreement and gross misconduct. Removal from the Board does not automatically terminate the agreement and Mr Ritchie-Bland's employment will continue as an employee only. The basic salary payable to Mr Ritchie-Bland is £200,000 per annum, subject to annual review, in addition to a discretionary bonus in relation to each financial year. The Company is also required to pay Company sick pay to Mr Ritchie-Bland which is; full pay (i.e. salary and contractual benefits) for the first 3 months of absence; and thereafter half pay for up to a further 3 months absence, in any 52 week period. The service agreement contains non-compete, non-solicitation, non-dealing and non-poaching restrictive covenants for a period of up to 6 months following termination of employment. Mr Ritchie-Bland is also restricted in the use or disclosure of confidential information at any time during employment or

following termination and the agreement contains a number of provisions which deals with assignment of historic and future intellectual property.

- 8.4 Susan Hurst was appointed as Finance Director of the Company pursuant to a service agreement dated 14 June 2018 with effect from Admission. The service agreement is terminable on 6 months' notice given by either party in writing. The Company may, in its discretion, make a payment in lieu of notice. The service agreement also contains provisions for termination by summary notice in certain standard circumstances, including, without limitation, any serious or repeated breach of the agreement and gross misconduct. Removal from the Board does not automatically terminate the agreement and Mrs Hurst's employment will continue as an employee only. With effect from Admission, the basic salary payable to Mrs. Hurst is £140,000 per annum, subject to annual review, in addition to a discretionary bonus in relation to each financial year. The Company is also required to pay Company sick pay to Mrs. Hurst which is; full pay (i.e. salary and contractual benefits) for the first 3 months of absence; and thereafter half pay for up to a further 3 months absence, in any 52 week period. The service agreement contains non-compete, non-solicitation, non-dealing and non-poaching restrictive covenants for a period of up to 6 months following termination of employment. Mrs. Hurst is also restricted in the use or disclosure of confidential information at any time during employment or following termination and the agreement contains a number of provisions which deals with assignment of historic and future intellectual property.
- 8.5 Christopher Gill was appointed as Non-Executive Director of the Company pursuant to a letter of appointment dated 14 June 2018 with effect from Admission. Mr. Gill's appointment may be terminated on 3 months' notice by either party in writing. The letter also contains provisions for immediate termination of the appointment in certain standard circumstances, including, without limitation, in the event of a material breach of his obligations under the letter. With effect from Admission, Mr. Gill's annual fee is £40,000 per annum, subject to annual review, and he is required to spend a minimum of two/three days per month on work for the Company. In addition, Mr. Gill is also entitled to a further £5,000 for taking on the roles of chairman of both the Audit Committee and the Remuneration Committee. Mr. Gill is also restricted in the use or disclosure of confidential information at any time during his appointment or following its termination.
- 8.6 Julian Brown was appointed as Non-Executive Director of the Company pursuant to a letter of appointment dated 14 June 2018 with effect from Admission. Mr. Brown's appointment may be terminated on 3 months' notice by either party in writing. The letter also contains provisions for immediate termination of the appointment in certain standard circumstances, including, without limitation, in the event of a material breach of his obligations under the letter. With effect from Admission, Mr. Brown's annual fee is £35,000 per annum, subject to annual review, and he is required to spend a minimum of two/three days per month on work for the Company. Mr. Brown is also restricted in the use or disclosure of confidential information at any time during his appointment or following its termination.

## **9. SIGNIFICANT SHAREHOLDERS**

- 9.1 Other than the holdings of the Directors, which are set out in Paragraph 7.1 above, the Directors are aware of the following persons who, as at 13 June 2018 (being the most recent practicable date prior to the publication of this document), were, and on Admission are expected to be interested directly or indirectly, in 3 per cent. or more of the Company's share capital or voting rights:

	As at 13 June 2018		On Admission	
	No. of Shares	Percentage of issued share capital	No. of Shares	Percentage of Enlarged Issued Share Capital
BlackRock Advisors (UK) Limited	–	–	5,500,000	11.00%
Miton Group	–	–	5,300,000	10.60%
Berenberg Bank	–	–	4,950,000	9.90%
Fidelity Worldwide Investment (FIL)	–	–	4,000,000	8.00%
Hargreave Hale	–	–	3,400,000	6.80%
Legal & General Investment Management	–	–	3,000,000	6.00%
Henderson Global Investors Limited	–	–	2,800,000	5.60%
Impax Asset Management Ltd	–	–	2,800,000	5.60%
River and Mercantile Asset Management LLP	–	–	2,300,000	4.60%
Barralina Asset Management GmbH	–	–	2,200,000	4.40%
Threadneedle Asset Management	–	–	2,000,000	4.00%
Schroders plc	–	–	2,000,000	4.00%

9.2 No shareholder set out above has (nor will it have) voting rights attached to the shares it holds which are different to those held by the other shareholders.

9.3 The Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

9.4 As at 13 June 2018 (being the latest practicable date prior to publication of this document) save as disclosed in this paragraph 9, the Company is not aware of any person or persons who, directly or indirectly, owns or controls the Company.

## 10. SHARE OPTION SCHEMES

### SHARE INCENTIVE ARRANGEMENTS

In order to align the interests of Shareholders and employees following Admission, the Company is proposing to establish four share incentive plans on, or shortly prior to, Admission.

- The Tekmar Group plc IPO Plan (**IPO Plan**) under which one-off awards will be granted to key executives on the date of Admission;
- The Tekmar Group plc Long Term Incentive Plan (**LTIP**) under which awards will be granted to employees selected by the Board; and
- two all-employee share plans, The Tekmar Group Share Incentive Plan (**SIP**) and The Tekmar Group plc SAYE Plan (**SAYE Plan**) under which all eligible employees will be entitled to participate.

#### 10.1 **IPO Plan**

Awards granted under the IPO Plan will take the form of options to acquire Shares for a consideration, per share, equal to its nominal value.

##### 10.1.1 *Eligibility*

The following awards will on the date of Admission be granted to the following key executives (**IPO Awards**):

- in respect of a maximum of 900,000 Shares being an amount equal to 1.8 per cent. of the issued share capital, to James Ritchie-Bland;
- in respect of a maximum of 350,000 Shares being an amount equal to approximately 0.7 per cent. of the issued share capital, to Susan Hurst;
- in respect of a maximum of 125,000 Shares being an amount equal to approximately 0.25 per cent. of the issued share capital, to Jack Simpson;

- (d) in respect of a maximum of 125,000 Shares being an amount equal to approximately 0.25 per cent. of the issued share capital, to Russell Edmondson;
- (e) in respect of a maximum of 125,000 Shares being an amount equal to approximately 0.25 per cent. of the issued share capital, to Charles Sullivan; and
- (f) in respect of a maximum of 125,000 Shares being an amount equal to approximately 0.25 per cent. of the issued share capital, to Steven Rossiter.

No further Awards will be granted under the IPO Plan.

#### 10.1.2 *Performance conditions*

Participants will be entitled to acquire all the Shares the subject of their individual IPO Awards if the following conditions are met:

- (a) the earnings per share (adjusted so as to disregard the effects of share-based payments under employee share schemes, exceptional items and non-recurring expenses to the Company's private equity ownership) of the Group (**adjusted earnings per share**) for the year ended 31 March 2019 is not less than the market consensus estimate for the year, established shortly after Admission;
- (b) as to 50 per cent. of the Shares the subject of the IPO Award, the adjusted earnings per share of the Group for the year ended 31 March 2020 exceeds adjusted earnings per share of the Group for the year ended 31 March 2019 by not less than 25 per cent.; and
- (c) as to the remaining 50 per cent. of the Shares the subject of the IPO Award, the total shareholder return of the Company for the period from Admission to the date of publication of the financial statements of the Company for the year ended 31 March 2020 is not less than 25 per cent.

If the condition at (a) is met but the condition at (b) is not met, and the adjusted earnings per share of the Group for the year ended 31 March 2020 exceeds adjusted earnings per share of the Group for the year ended 31 March 2019 by not less than 15 per cent., the number of Shares that participants can acquire will increase, on a straightline basis, from 25 per cent. of the Shares the subject of the IPO Award (where the percentage increase is 15 per cent.) to 50 per cent. of the Shares the subject of the IPO Award (where the percentage increase is 25 per cent.).

If the condition at (a) is met but the condition at (c) is not met, and the total shareholder return of the Company for the period from Admission to the date of publication of the financial statements of the Company for the year ended 31 March 2020 is not less than 15 per cent., the number of Shares that participants can acquire will increase, on a straightline basis, from 25 per cent. of the Shares the subject of the IPO Award (where the percentage increase is 15 per cent.) to 50 per cent. of the Shares the subject of the IPO Award (where the percentage increase is 25 per cent.).

Any performance conditions applying to IPO Awards may be varied or waived if the Board considers it appropriate, provided the Board considers that the new performance conditions are reasonable and are not materially less difficult or less easy to satisfy than the original conditions (except in the case of waiver).

#### 10.1.3 *Malus and Clawback*

The Board may decide, within certain time periods, that the number of Shares subject to an IPO Award shall be reduced (including to nil) or, where such Shares have been acquired by the participant, recovered from him on such basis that the Board in its discretion considers to be fair and reasonable in circumstances such as:

- (a) discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company; or
- (b) action or conduct of a participant which, in the reasonable opinion of the Board, amounts to fraud or gross misconduct.

Clawback may be effected, among other means, by requiring the transfer of Shares, payment of cash or reduction of awards.

#### 10.1.4 *Vesting and exercise*

IPO Awards will normally become exercisable on the third anniversary of Admission to the extent that the performance conditions have been satisfied and to the extent permitted following any operation of malus or clawback. They will normally remain exercisable during the period of 10 years following Admission.

#### 10.1.5 *Cessation of employment*

Except in certain circumstances, set out below, an IPO Award will lapse immediately upon a participant ceasing to be employed by or holding office with the Group.

If a participant so ceases because of his ill-health, injury, disability, the participant being employed by a company which ceases to be a Group company or being employed in an undertaking which is transferred to a person who is not a Group company or in other circumstances at the discretion of the Board (each an **IPO Good Leaver Reason**), his IPO Award will ordinarily vest on the date when it would have vested if he had not so ceased to be a Group employee or director, subject to the satisfaction of any applicable performance conditions measured over the original performance period and the operation of malus or clawback. In addition, vesting will be pro-rated to reflect the reduced period of time between grant and the participant's cessation of employment as a proportion of the normal vesting period.

If a participant dies, a proportion of his IPO Award will vest on the date of his death. The extent to which an IPO Award will vest in these situations will be determined by the Board at its absolute discretion taking into account the extent to which any applicable performance conditions have been satisfied at the date of cessation of employment and the operation of malus or clawback. In addition, vesting will be pro-rated to reflect the reduced period of time between grant and the participant's cessation of employment as a proportion of the normal vesting period.

To the extent that IPO Awards vest for an IPO Good Leaver Reason, they may be exercised for a period of 90 days following vesting and will otherwise lapse at the end of that period. To the extent that IPO Awards vest following death of a participant, they may be exercised for a period of 12 months following death and will otherwise lapse at the end of that period.

#### 10.1.6 *Corporate events*

In the event of a takeover, scheme of arrangement, or winding-up of the Company, IPO Awards will vest early. The proportion of an IPO Award which vests shall be determined by the Board taking into account, among other factors, the extent to which any applicable performance conditions have been satisfied at that time. In addition, vesting will be pro-rated to reflect the reduced period of time between grant and the relevant event as a proportion of the normal vesting period.

To the extent that IPO Awards vest in the event of a takeover, scheme of arrangement, or winding-up of the Company they may be exercised for a period of 30 days measured from the relevant event (or in the case of takeover such long period as the Board determines) and will otherwise lapse at the end of that period.

If there is a corporate event resulting in a new person or company acquiring control of the Company, the Board may (with the consent of the acquiring company) alternatively decide that IPO Awards will not vest or lapse but will be replaced by equivalent new awards over shares in the new acquiring company.

#### 10.1.7 *Awards not transferable*

IPO Awards are not transferable other than to the participant's personal representatives in the event of his death provided that awards and Shares may be held by the trustees of an employee benefit trust as nominee for the participants.

#### 10.1.8 *Variation of capital*

If there is a variation of share capital of the Company or in the event of a demerger or other distribution, special dividend or distribution, the Board may make such adjustments to IPO Awards, including the number of Shares subject to IPO Awards and the option exercise price (if any), as it considers to be fair and reasonable.

#### 10.1.9 *Rights attaching to Shares*

Shares issued and/or transferred under IPO Awards will not confer any rights on any participant until the relevant IPO Award has been exercised and the participant in question has received the underlying Shares. Any Shares allotted when an LTIP Award is exercised will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their issue).

#### 10.1.10 *Amendments*

Save for minor amendments to benefit the administration of the IPO Plan, to take account of a change in legislation, or to obtain or maintain favourable tax, exchange control or regulatory treatment for Award Holders or for a Group Company, the Board may not amend the IPO Plan without the prior approval of the Company in general meeting.

#### 10.1.11 *Benefits not pensionable*

The benefits received under the IPO Plan are not pensionable.

### 10.2 **LTIP**

#### 10.2.1 *Overview*

(a) The LTIP is a discretionary executive share plan. Under the LTIP, the Board may, within certain limits and subject to any applicable performance conditions, grant to eligible employees:

- (i) nil or nominal cost options over Shares (**LTIP Nil-Cost Options**) and/or;
- (ii) options with a market value exercise price (**LTIP MV Options**, and together with LTIP Nil-Cost Options, **LTIP Options**); and/or
- (iii) conditional awards (ie a conditional right to acquire Shares (**LTIP Conditional Awards**); and/or
- (iv) Shares which are subject to restrictions and the risk of forfeiture (**LTIP Restricted Shares**).

For the purpose of this section, LTIP Options, LTIP Conditional Awards and LTIP Restricted Shares are together referred to as **LTIP Awards**.

No payment is required for the grant of an LTIP Award.

#### 10.2.2 *Eligibility*

All employees (including Executive Directors) of the Group are eligible for selection to participate in the LTIP at the discretion of the Board. Any person who is a participant in the IPO Plan is not eligible to participate in the LTIP during the period of two years following Admission.

#### 10.2.3 *Grant of LTIP Awards*

LTIP Awards may only be granted during:

- (a) the six-week period after:
  - (i) the LTIP is adopted by the Company; or
  - (ii) the end of a Closed Period (as defined in Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (**Market Abuse Regulation**) (**Closed Period**)); or

- (b) any other period which the Board decides, providing there are exceptional circumstances to justify such a decision.

LTIP Awards may not be granted at any time if it would be unlawful, in breach of the Market Abuse Regulation, or in breach of any other regulation or guidance with which the Company complies.

However, no LTIP Awards may be granted more than 10 years from the date when the LTIP was adopted.

#### 10.2.4 *Performance and other conditions*

The Board may impose performance conditions on the vesting of LTIP Awards. Where performance conditions are specified for LTIP Awards, the underlying measurement period for such conditions will ordinarily be three years. The proposed performance conditions for the first grant of LTIP Awards are to be based on performance against earnings per share targets and shareholder return targets based on (i) share price growth and (ii) the actual dividends paid over the performance period. Further grants of LTIP Awards are to be subject to performance conditions set out at the time of grant.

Any performance conditions applying to LTIP Awards may be varied, substituted or waived if the Board considers it appropriate, provided the Board considers that the new performance conditions are reasonable and are not materially less difficult to satisfy than the original conditions (except in the case of waiver).

The Board may also impose other conditions on the vesting of LTIP Awards.

#### 10.2.5 *Malus and Clawback*

The Board may decide, within certain time periods, that the number of Shares subject to an LTIP Award shall be reduced (including to nil) or, where such Shares have been acquired by the participant, recovered from him on such basis that the Board in its discretion considers to be fair and reasonable in circumstances such as:

- (a) discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company; or
- (b) action or conduct of a participant which, in the reasonable opinion of the Board, amounts to fraud or gross misconduct.

Clawback may be effected, among other means, by requiring the transfer of Shares, payment of cash or reduction of awards.

#### 10.2.6 *Vesting and exercise*

LTIP Awards will normally vest, and LTIP Options will normally become exercisable, on the third anniversary of the date of grant of the LTIP Award to the extent that any applicable performance conditions have been satisfied and to the extent permitted following any operation of malus or clawback. LTIP Options will normally remain exercisable for a period determined by the Board at grant which shall not exceed 10 years from grant.

#### 10.2.7 *Cessation of employment*

Except in certain circumstances, set out below, an LTIP Award will lapse immediately upon a participant ceasing to be employed by or holding office with the Group.

If a participating so ceases because of his ill-health, injury, disability, the participant being employed by a company which ceases to be a Group company or being employed in an undertaking which is transferred to a person who is not a Group company or in other circumstances at the discretion of the Board (each an **LTIP Good Leaver Reason**), his LTIP Award will ordinarily vest on the date when it would have vested if he had not so ceased to be a Group employee or director, subject to the satisfaction of any applicable performance conditions measured over the original performance period and the operation of malus or clawback. In addition, vesting will be pro-rated to reflect the reduced period of time between

grant and the participant's cessation of employment as a proportion of the normal vesting period.

If a participant dies, a proportion of his LTIP Award will vest on the date of his death. The extent to which an LTIP Award will vest in these situations will be determined by the Board at its absolute discretion taking into account the extent to which any applicable performance conditions have been satisfied at the date of cessation of employment and the operation of malus or clawback. In addition, vesting will be pro-rated to reflect the reduced period of time between grant and the participant's cessation of employment as a proportion of the normal vesting period.

To the extent that LTIP Options vest for an LTIP Good Leaver Reason, they may be exercised for a period of 90 days following vesting and will otherwise lapse at the end of that period. To the extent that LTIP Options vest following death of a participant, they may be exercised for a period of 12 months following death and will otherwise lapse at the end of that period.

#### 10.2.8 *Corporate events*

In the event of a takeover, scheme of arrangement, or winding-up of the Company, LTIP Awards will vest early. The proportion of an LTIP Award which vests shall be determined by the Board taking into account, among other factors, the extent to which any applicable performance conditions have been satisfied at that time. In addition, vesting will be pro-rated to reflect the reduced period of time between grant and the relevant event as a proportion of the normal vesting period.

To the extent that LTIP Options vest in the event of a takeover, scheme of arrangement, or winding-up of the Company they may be exercised for a period of 30 days measured from the relevant event (or in the case of takeover such long period as the Board determines) and will otherwise lapse at the end of that period.

If there is a corporate event resulting in a new person or company acquiring control of the Company, the Board may (with the consent of the acquiring company) alternatively decide that LTIP Awards will not vest or lapse but will be replaced by equivalent new awards over shares in the new acquiring company.

#### 10.2.9 *Awards not transferable*

LTIP Awards are not transferable other than to the participant's personal representatives in the event of his death provided that awards and Shares may be held by the trustees of an employee benefit trust as nominee for the participants.

#### 10.2.10 *Limits*

The LTIP may operate over new issue Shares, treasury Shares or Shares purchased in the market. The rules of the LTIP provide that, in any period of 10 calendar years, no more than 10 per cent. of the Company's issued ordinary share capital may be issued under the LTIP and under any other employees' share scheme operated by the Company. Shares issued under the IPO Plan are disregarded for this purpose. Awards which are renounced or lapse shall be disregarded for the purposes of these limits.

#### 10.2.11 *Variation of capital*

If there is a variation of share capital of the Company or in the event of a demerger or other distribution, special dividend or distribution, the Board may make such adjustments to LTIP Awards, including the number of Shares subject to LTIP Awards and the option exercise price (if any), as it considers to be fair and reasonable.

#### 10.2.12 *Dividend equivalents*

In respect of any LTIP Award, the Board may decide that participants will receive a payment (in cash and/or additional Shares) equal in value to any dividends that would have been paid on the Shares which vest under that LTIP Award by reference to the period between the time when the LTIP Award was granted and the time when it vested. This amount may

assume the reinvestment of dividends and exclude or include special dividends or dividends in specie.

#### 10.2.13 *Rights attaching to Shares*

Shares issued and/or transferred under LTIP Awards will not confer any rights on any participant until the relevant LTIP Award has vested or the relevant LTIP Option has been exercised and the participant in question has received the underlying Shares. Any Shares allotted when an LTIP Option is exercised or an LTIP Award vests will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their issue).

#### 10.2.14 *Amendments*

The Board may, at any time, amend the provisions of the LTIP in any respect. Save for minor amendments to benefit the administration of the LTIP, to take account of a change in legislation, or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for a Group company, the Board may not amend the rules of the LTIP relating to eligibility, scheme and individual limits and variation of capital without the prior approval of the Company in general meeting. Amendments may not normally materially adversely affect the existing rights of participants except where participants have approved such amendment.

#### 10.2.15 *Overseas plans*

The Board may, at any time, establish further plans based on the LTIP for overseas territories. Any such plan shall be similar to the LTIP but modified to take account of local tax, exchange control or securities law. Any Shares made available under such further overseas plans must be treated as counting against the limits on overall participation under the LTIP.

#### 10.2.16 *Benefits not pensionable*

The benefits received under the LTIP are not pensionable.

### 10.3 **SIP**

#### 10.3.1 *Status*

The SIP is an all-employee share ownership plan which has been designed to meet the requirements of Schedule 2 to the Income Tax (Earnings and Pensions) Act 2003 so that Shares can be provided to UK employees under the SIP in a tax-efficient manner.

Under the SIP, eligible employees may be: (i) awarded up to £3,600 worth of free Shares (**Free Shares**) each year; (ii) offered the opportunity to buy Shares with a value of up to the lower of £1,800 and 10 per cent. of the employee's pre-tax salary a year (**Partnership Shares**); and/or (iii) given up to two free Shares (**Matching Shares**) for each Partnership Share bought. The Board may determine that different limits shall apply in the future should the relevant legislation change in this respect.

#### 10.3.2 *SIP Trust*

The SIP operates through a UK-resident trust (the **SIP Trust**). The trustee of the SIP Trust purchases or subscribes for Shares that are awarded to or purchased on behalf of participants in the SIP. A participant will be the beneficial owner of any Shares held on his behalf by the trustee of the SIP Trust. Any Shares held in the SIP Trust will rank equally with Shares then in issue.

If a participant ceases to be in relevant employment, he will be required to withdraw his Free Shares, Partnership Shares and Matching Shares from the SIP Trust (or the Free Shares, Partnership Shares, Matching Shares may be forfeited as described below).

#### 10.3.3 *Eligibility*

Each time that the Board decides to operate the SIP, all UK resident tax-paying employees of the Company and its subsidiaries participating in the SIP must be offered the opportunity to participate. Other employees may be permitted to participate. The Board may decide

that employees invited to participate must have completed a minimum qualifying period of employment before they can participate, as determined by the Board in relation to any award of Shares under the SIP which may be different for each type of award from time to time. In the case of Free Shares (and, in certain circumstances, Partnership Shares and Matching Shares) that period must not exceed 18 months or, in certain other circumstances and only in the case of Partnership Shares or Matching Shares, 6 months.

It is proposed that, shortly following Admission, awards of Free Shares with an aggregate value of about £100,000 will be made to employees.

#### 10.3.4 *Limits*

The SIP may operate over new issue Shares, treasury Shares or Shares purchased in the market. The rules of the SIP provide that, in any period of 10 calendar years, no more than 10 per cent. of the Company's issued ordinary share capital may be issued under the SIP and under any other employees' share scheme operated by the Company. Shares issued under the IPO Plan are disregarded for this purpose. Awards which are renounced or lapse shall be disregarded for the purposes of these limits.

#### 10.3.5 *Free Shares*

Up to £3,600 worth of Free Shares may be awarded to each employee in a tax year. Free Shares must be awarded on the same terms to each employee, but the number of Free Shares awarded can be determined by reference to the employees' remuneration, length of service, number of hours worked and, if the Company so chooses, the satisfaction of performance targets based on business results or other objective criteria. There is a holding period of between three and five years (the precise duration to be determined by the Board) during which the participant cannot withdraw the Free Shares from the SIP Trust (or otherwise dispose of the Free Shares) unless the participant leaves relevant employment.

The Board, at its discretion, may provide that the Free Shares will be forfeited if the participant leaves relevant employment other than in the circumstances of injury, disability, redundancy, retirement, by reason of a relevant transfer within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006 or if the relevant employment is employment by an associated company by reason of a change of control or other circumstances ending that company's status as an associated company (each a **SIP Good Leaver Reason**) or on death. Forfeiture can only take place within three years of the Free Shares being awarded.

#### 10.3.6 *Partnership Shares*

The Board may allow an employee to use pre-tax salary to buy Partnership Shares. The maximum limit is the lower of £1,800 or 10 per cent. of pre-tax salary in any tax year. The minimum salary deduction permitted, as determined by the Board, must be no greater than £10 on any occasion. The salary allocated to Partnership Shares can be accumulated for a period of up to 12 months (the **Accumulation Period**) or Partnership Shares can be purchased out of deductions from the participant's pre-tax salary when those deductions are made. A participant and the Company may agree to vary the amount of salary deductions and the intervals of those deductions. If there is an Accumulation Period, the number of Shares purchased shall be determined by dividing the participant's aggregate pay deducted during the Accumulation Period by the market value of the Partnership Shares.

Once acquired, Partnership Shares may be withdrawn from the SIP by the participant at any time.

At the discretion of the Board, Partnership Shares may be subject to forfeiture on cessation of employment (except for a SIP Good Leaver Reason or on death), provided they are offered for sale for a price equal to the lower of the market value of the Partnership Shares at the time of their sale or the price paid for those Partnership Shares.

#### 10.3.7 *Matching Shares*

The Board may, at its discretion, offer Matching Shares free to an employee who has purchased Partnership Shares. If awarded, Matching Shares must be awarded on the same basis to all participants up to a maximum of two Matching Shares for every Partnership Share purchased (or such other maximum as may be provided by statute). There is a holding period of between three and five years (the precise duration to be determined by the Board) during which the participant cannot withdraw the Matching Shares from the SIP Trust unless the participant leaves relevant employment.

The Board, at its discretion, may provide that the Matching Shares will be forfeited if the participant leaves relevant employment other than for a SIP Good Leaver Reason or on death. Forfeiture can only take place within three years of the Matching Shares being awarded.

#### 10.3.8 *Corporate events*

In the event of a general offer for the Company (or a similar takeover event taking place) during a holding period, participants will be able to direct the trustee of the SIP Trust as to how to act in relation to their Shares held in the SIP. In the event of a corporate re-organisation, any Shares held by participants may be replaced by equivalent shares in a new holding company.

#### 10.3.9 *Variation of capital*

Shares acquired on a variation of share capital of the Company will usually be treated in the same way as the Shares acquired or awarded under the SIP, in respect of which the rights were conferred and as if they were acquired or awarded at the same time.

#### 10.3.10 *Rights attaching to Shares*

Any Shares allotted under the SIP will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

#### 10.3.11 *Amendments*

The Company may at any time amend the rules of the SIP by resolution of the Board and may amend the SIP trust deed by way of a supplemental deed. The prior approval of the Company in general meeting must be obtained in the case of any amendment to the advantage of participants which is made to the provisions relating to eligibility, persons to whom the award must or may be made, individual or overall limits, the basis for determining a participant's entitlement to and the terms of Shares provided under the SIP, the price payable for Shares under the SIP by eligible employees and/or the adjustments that may be made in the event of any variation to the share capital of the Company; save that there are exceptions for any minor amendment to benefit the administration of the SIP, to take account of the provision of any proposed or existing legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants, the Company and/or its subsidiaries or the trustees of the SIP Trust. No modification can be made which would alter, to the disadvantage of any participant, the rights he accrued under the SIP.

#### 10.3.12 *Overseas plans*

The Board may, at any time, establish further plans for overseas territories, any such plan to be similar to the SIP but modified to take account of local tax, exchange control or securities laws. Any Shares made available under such further overseas plans must be treated as counting against the limits on individual and overall participation of the SIP.

#### 10.3.13 *Benefits not pensionable*

The benefits received under the SIP are not pensionable.

### 10.4 **The SAYE Plan**

#### 10.4.1 *Introduction*

The SAYE Plan is to be adopted by the Company on, or shortly prior to, Admission.

The SAYE Plan is an all-employee share plan and is intended to satisfy the requirements of Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003. Under the SAYE Plan, the Board may, subject to certain conditions, grant options over Shares to eligible employees. The SAYE Plan will be administered and operated by the Board or a duly appointed committee thereof.

#### 10.4.2 *Eligibility*

Participation in the SAYE Plan will be offered to all UK resident employees (including full-time executive directors but not directors) of the Company (and its participating subsidiaries), who have the required period of continuous service with the Company. This required period cannot exceed five years and is to be determined, and can be amended, by the Board.

Other employees of the Company (or any associated company) may also be invited to participate in the SAYE Plan at the discretion of the Board.

#### 10.4.3 *Issue of Invitations*

Invitations to participate in the SAYE Plan may only be issued during:

- (a) the six-week period after:
  - (i) the SAYE Plan is adopted by the Company; or
  - (ii) the end of a Closed Period; or
- (b) any other period which the Board decides, providing there are exceptional circumstances to justify such a decision.

Invitations will not be issued at any time if it would be unlawful, in breach of the Market Abuse Regulation, or in breach of any other regulation or guidance with which the Company complies.

Each eligible employee may apply for an option within 21 days from the date of the invitation. The Board may, at its discretion, shorten this invitation period to a minimum of 14 days.

#### 10.4.4 *SAYE Contract*

An eligible employee who applies for an option to acquire Shares under the SAYE Plan (**SAYE Option**) must enter into a contract with an approved savings body (**SAYE Contract**). Under an SAYE Contract, the participant must save a regular sum each month (of between £5 and £500), to be deducted from pay after tax, for three or five years. Both the savings body and the required savings period will be determined by the Board.

In certain circumstances, the participant may be able to postpone making contributions but cancelling the SAYE Contract will cause an SAYE Option to lapse. At the end of the SAYE Contract, the participant may use the accumulated savings to fund the exercise of the SAYE Option or elect to have the savings paid out in cash.

#### 10.4.5 *Grant of SAYE Options*

SAYE Options will be granted to each eligible employee who enters into an SAYE Contract. No payment will be made on the grant of an SAYE Option.

The number of Shares subject to each SAYE Option, will be equal to the number of Shares that can be acquired at the exercise price using the proceeds of the relevant SAYE Contract (subject to any early exercise or scaling back as described at 10.3.7 and 10.3.11 respectively).

#### 10.4.6 *Exercise Price*

The exercise price of an SAYE Option will be determined by the Board before any SAYE Options are granted. The exercise price must not be less than eighty per cent. of the market value of a Share on the day on which invitations are issued to eligible employees. If new Shares are to be issued to satisfy the exercise of the SAYE Option, the exercise price cannot be less than the nominal value of a Share.

#### 10.4.7 *Cessation of Employment*

Except in certain circumstances set out below, an SAYE Option may usually only be exercised during the period of six months following the maturity of an SAYE Contract, by a person who remains an employee of the Company.

If a participant dies before exercising his SAYE Option, his personal representatives may be able to exercise his SAYE Option. Where a participant dies during the six month period following the maturity of his SAYE Contract, his personal representatives may exercise his SAYE Option within twelve months following the date of maturity. Where a participant dies before the maturity of his SAYE Contract, his personal representatives may exercise his SAYE Option within the twelve month period following the date of his death.

Subject to the following, a participant's SAYE Option will lapse once he is no longer an employee of the Company or any "associated company" of the Company (as defined in Schedule 3 of ITEPA). A participant may, however, exercise his SAYE Option within six months of his employment ending, if his employment ceased as a result of:

- (a) injury, disability, redundancy (within the meaning of the Employment Rights Act 1996), retirement or a transfer of the participant's employment within the meaning of the Transfer of Undertakings (Protection of Employment) Regulations 2006 (**TUPE Transfer**);
- (b) his employing company ceasing to be under the control of the Company; or
- (c) his office or employment being transferred to a company which is not under the control of the Company where such transfer does not amount to a TUPE Transfer.

Where an SAYE Option is exercised before the maturity of the relevant SAYE Contract, the number of Ordinary Shares acquired on exercise will be limited to the accumulated savings held under the SAYE Contract up to the date of exercise.

#### 10.4.8 *Options not transferable*

SAYE Options are not transferable, other than to the participant's personal representatives in the event of his death. An SAYE Option will lapse if a participant attempts to transfer, or have any charge created over, an SAYE Option.

#### 10.4.9 *Corporate Events*

SAYE Options may be exercised in the event of a takeover, reconstruction or voluntary winding-up of the Company. In certain circumstances, participants may exchange their SAYE Options for equivalent options over shares in the acquiring company.

#### 10.4.10 *Limits*

The LTIP may operate over new issue Ordinary Shares, treasury Shares or Shares purchased in the market. The rules of the LTIP provide that, in any period of 10 calendar years, no more than 10 per cent. of the Company's issued ordinary share capital may be issued under the LTIP and under any other employees' share scheme operated by the Company. Shares issued under the IPO Plan are disregarded for this purpose. Awards which are renounced or lapse shall be disregarded for the purposes of these limits.

#### 10.4.11 *Scaling Back*

SAYE Options may not be granted over a number of Shares in excess of those available to satisfy those options. Therefore, if necessary, the Board may scale down the applications by either reducing the amount of savings made under, or the proceeds derived from, each SAYE Contract.

#### 10.4.12 *Rights attaching to Shares*

The exercise of an SAYE Option may be satisfied by the issue of Shares or the transfer of Shares held by either an existing shareholder or in treasury.

An SAYE Option will not confer any voting (or other) rights in relation to the Shares subject to that SAYE Option on any participant, until the SAYE Option has been exercised and the participant has received the underlying Shares.

Any Shares allotted pursuant to the exercise of an SAYE Option will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their issue).

#### 10.4.13 *Variation in Share Capital*

In the event of a rights issue, capitalisation issue or other event affecting the share capital of the Company, the Board may make such amendments to the Option Price, number of Shares under an SAYE Option, or the terms applying to such shares comprised in subsisting options, as it thinks appropriate.

#### 10.4.14 *Amendments*

The SAYE Plan may be amended at any time by the Board, provided no amendments are made which would result in the requirements of Schedule 3 of the Income Tax (Earnings and Pensions) Act 2003 not being met in relation to the SAYE Plan. The rules of the SAYE Plan relating to scheme limits and variation of capital may not be amended without the prior approval of the Company in general meeting

#### 10.4.15 *Overseas Employees*

The Board may facilitate the granting of options to non-UK resident individuals by adopting supplemental rules. Such rules must follow those of the SAYE Plan, so far as the Board in its discretion considers reasonably practicable.

#### 10.4.16 *Benefits not Pensionable*

The benefits received under the SAYE Plan are not pensionable.

#### 10.4.17 *Taxation*

The SAYE Plan is intended to operate as a tax-advantaged plan pursuant to Schedule 3 of the Income Tax (Earnings and Pensions) Act 2003.

There is no income tax liability on the grant of an SAYE Option. Provided the SAYE Plan retains its tax-advantaged status and the SAYE Option is exercised at least three years after the grant date, there is no income tax liability on the exercise of an SAYE Option and National Insurance contributions are not payable.

## **11. EMPLOYEES**

- 11.1 The Group employs approximately 106 employees. Tekmar Energy Limited currently employs approximately 93 employees (including 5 temporary staff) and a part-time Non-Executive Technical Director. Agiletek Engineering Limited employs 9 staff and THL employs 2 full time staff and one part-time Non-Executive Chairman.

## **12. RELATED PARTY TRANSACTIONS**

- 12.1 Between 1 April 2018 and 14 June 2018, being the latest practicable date prior to publication of this document:
- 12.1.1 interest of £36,759 accrued in respect of the Opera Finance Loan Notes, interest of £496,832 in respect of the Term Loan, and accrued interest of £96,621 accrued in respect of the Elysian Loan Notes, (such amounts will be settled under the terms of the Acquisition Agreement on Admission); and
  - 12.1.2 the Group received services to the value of £9,897 from Elysian Capital LLP. James Cunningham and Kenneth Terry are members of Elysian Capital LLP and also directors of Tekmar Limited and Tekmar Holdings Limited.
- 12.2 Save as disclosed above and in the notes to the historical financial information in Part III of this document the Company has not entered into any related party transactions of the type set out in the

standards adopted according to the Regulation (EC) No. 1606/2002 during the period covered by the historical financial information set out in Part III and up to the date of this document.

### 13. WORKING CAPITAL

In the opinion of the Directors, having made due and careful enquiry, and taking into account the net proceeds of the Placing, the working capital available to the Company and the Group will be sufficient for its present requirements, that is for at least the twelve months from the date of Admission.

### 14. PREMISES AND ENVIRONMENTAL

- 14.1 The Company does not own any premises.
- 14.2 Tekmar Energy Limited is certified to the ISO:14001: 2015 environmental management system for the design and manufacture of Polyurethane Cable Protection Systems for Off-shore oil, gas and renewables. The certification is valid until 5 October 2018.
- 14.3 Tekmar Energy Limited is certified to the ISO 9001: 2015 quality management system for the design and manufacture of Polyurethane Cable Protection Systems for Off-shore Oil, Gas and renewables. The certification is valid until 5 October 2018.
- 14.4 Save as disclosed in this document, as far as the Directors are aware there are no environmental issues that may affect the issuer's utilisation of its tangible fixed assets.

### 15. INTELLECTUAL PROPERTY

- 15.1 The Group has the following registered and pending patents:

<i>Applicant</i>	<i>Country</i>	<i>Status</i>	<i>Official Number</i>	<i>Filing Date</i>	<i>Priority Date</i>
Tekmar Energy Limited	Germany	Granted	DE602010005775.5	22/05/2013	22/04/2010
Tekmar Energy Limited	Europe	Nationalised	EP2381151	21/12/2010	N/A
Tekmar Energy Limited	France	Granted	EP2381151	22/05/2013	22/04/2010
Tekmar Energy Limited	UK	Granted	GB2479771	22/04/2010	–
Tekmar Energy Limited	Germany	Granted	DE602009037543.1	25/09/2009	03/10/2008
Tekmar Energy Limited	France	Granted	EP2329174	25/09/2009	03/10/2008
Tekmar Energy Limited	Netherlands	Granted	EP2329174	25/09/2009	03/10/2008
Tekmar Energy Limited	Europe	Nationalised	EP2329174	25/09/2009	03/10/2008
Tekmar Energy Limited	UK	Granted	GB2463940	03/10/2008	–
Tekmar Energy Limited	UK	Granted	EP2329174	25/09/2009	03/10/2008
Tekmar Energy Limited	UK	Pending	GB 1607905.5	05/05/2016	–
Tekmar Energy Limited	International	Pending	PCT/GB2017/051266	05/05/2017	05/11/2016
Tekmar Energy Limited	International	Published	PCT/GB2017/052341	09/08/2017	16/08/2016
Tekmar Energy Limited	UK	Pending	GB 1715211.7	20/09/2017	20/09/2017

### 16. LEGAL AND ARBITRATION PROCEEDINGS

- 16.1 Save as disclosed below, the Company is not, and has not been, engaged in any governmental, legal or arbitration proceedings in the previous twelve months and, so far as the Company is aware, there are no such proceedings pending or threatened, which may have or may have had in the recent past a significant effect on the Group's financial position or profitability.
- 16.2 Tekmar Energy is currently involved in a patent infringement dispute against a competitor in respect of alleged infringement of Tekmar Energy's UK patent GB2463940(C) for Protection Assembly for Elongate Flexible Member and Method of Installation of such Member. Counsel has been instructed to draft proceedings in respect of the claim.

### 17. TAXATION

- 17.1 The following statements are intended only as a general guide as at the date of this document to UK tax legislation and to the current practice of HMRC and do not constitute tax advice. These statements relate only to Shareholders who are resident (and, in the case of individuals, resident and

domiciled) for tax purposes in the UK, who hold their Shares as an investment (other than under an individual savings account) and who are the absolute beneficial owners of both the Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules, such as persons who acquire (or are deemed to acquire) their Shares in connection with their office or employment, traders, brokers, dealers in securities, insurance companies, banks, financial institutions, investment companies, tax-exempt organisations, persons connected with the Company or the Group, persons holding Shares as part of hedging or conversion transactions, Shareholders who are not domiciled or not resident in the UK, collective investment schemes, trusts and those who hold five per cent. or more of the Shares, are not addressed. Levels and bases of taxation are subject to change. **Any person who is in any doubt as to his tax position or who is resident for tax purposes outside the UK is strongly recommended to consult his professional advisers immediately.**

### 17.2 **Stamp Duty and Stamp Duty Reserve Tax**

Save in relation to non EU depository receipt arrangements or clearance services, where special rules apply, no charge to stamp duty or stamp duty reserve tax (**SDRT**) should arise on the issue of Placing Shares or on their registration in the names of applicants following a change to the stamp duty and SDRT legislation from 28 April 2014 after the Finance Act 2014 received Royal Assent in July 2014 which introduced the exemption for shares on a recognised growth market.

As a result of the change to the legislation referred to above, a subsequent transfer on the sale of Shares will not be subject to stamp duty or SDRT for so long as the Company is admitted to trading on AIM, that AIM remains a recognised growth market and that the shares in the Company remain admitted to trading on AIM and no other market.

Should the recognised growth market exemption not apply, an agreement to transfer the shares in the Company will normally give rise to a charge to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer. SDRT is, in general, payable by the purchaser.

In addition, should the recognised growth market exemption not apply an instrument transferring the shares in the Company will generally be subject to stamp duty at the rate of 0.5 per cent. of the amount or consideration given for the transfer (rounded up to the nearest £5). The purchaser normally pays the stamp duty.

An exemption from stamp duty is also available on an instrument transferring the shares in the Company where the amount or value of the consideration is £1,000 or less, and it is certified on the instrument that the transaction effected does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

If a duly stamped instrument completing an agreement to transfer the shares in the Company is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional) any SDRT paid is generally repayable, normally with interest, provided that a claim for repayment is made and otherwise the SDRT charge is cancelled.

Special rules apply to market intermediaries, dealers and certain other persons and professional advice should be sought if these rules apply.

### 17.3 **Dividends**

The UK taxation implications relevant to the receipt of dividends on the Placing Shares are as follows:

There is no UK withholding tax on dividends.

Individual holders of Placing Shares will be taxable on the total of the dividend actually received. For the tax year 2018/19, the first £2,000 of dividend income received by an individual is subject to zero per cent. tax. The rate of tax payable on dividends in excess of the above threshold is 7.5 per cent. for basic rate taxpayers, 32.5 per cent. for higher rate taxpayers and 38.1 per cent. for additional rate taxpayers.

A holder of Placing Shares which is a company resident for tax purposes in the UK will have to pay corporation tax in respect of any dividends it receives from another company unless the dividends fall within an exempt class and certain other conditions are met. Whether an exempt class applies and whether the other conditions are met will depend on the circumstances of the particular UK resident company shareholder, although it is expected that the dividends paid would normally be exempt when received by a UK resident company shareholder.

#### 17.4 **Disposal of shares acquired under the Placing**

A Shareholder who is an individual resident for tax purposes in the UK who sells or otherwise disposes of his Shares may, depending on the circumstances, incur a liability to UK tax on any capital gain realised. The Shareholder's annual exemption if available (currently £11,700 for individuals) and any capital losses they have may reduce the capital gain subject to capital gains tax. Capital gains tax is charged at a rate of 20 per cent. where income and gains exceed the threshold for higher rate tax, and 10 per cent. if income and gains are below this level.

Corporate shareholders within the charge to UK corporation tax may be liable to corporation tax on any chargeable gains realised on the disposal of Shares. To the extent certain conditions are met, it may be possible for chargeable gains realised on the disposal of shares to be exempt from UK corporation tax as a result of the substantial shareholding exemption. However, this is dependent on the circumstances at the time of the disposal and advice should be sought from your professional advisers.

A Shareholder who is not resident for tax purposes in the UK will not normally be liable for UK tax on capital gains realised on the disposal of his Shares unless at the time of the disposal such Shareholder carries on a trade (which for this purpose includes a profession or vocation) in the UK through a permanent establishment and such Shares are to have been used, held or acquired for the purposes of such UK permanent establishment.

#### 17.5 **Inheritance tax**

The Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of such assets by, or the death of, an individual holder of such assets may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax, even if the holder is neither domiciled in the UK nor deemed to be domiciled there (under certain rules relating to long residence or previous domicile). Generally, UK inheritance tax is not chargeable on gifts to individuals if the transfer is made more than seven complete years prior to death of the donor. For inheritance tax purposes, a transfer of assets at less than full market value may be treated as a gift and particular rules apply to gifts where the donor reserves or retains some benefit. Special rules also apply to close companies and to trustees or settlements who hold Shares, bringing them within the charge to inheritance tax. Holders of Shares should consult an appropriate professional adviser if they make a gift of any kind or intend to hold any Shares through such a company or trust arrangement, or in a situation where there is potential for a charge both to UK inheritance tax and to a similar tax in another jurisdiction, or if they are in any doubt about their UK inheritance tax position.

A relief from inheritance tax, known as business property relief, may apply to Shares in trading companies once these have been held for two years. Where applicable this relief applies notwithstanding that the Company's shares will be admitted to trading on AIM (although it does not apply to companies whose shares are listed on the Official List). Business property relief operates by reducing the value of shares by up to 100 per cent. for inheritance tax purposes.

17.6 Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident.

17.7 These comments are intended only as a general guide to the current tax position in the UK as at the date of this document. The comments assume that Shares are held as an investment and not as an asset of a financial trade and that any dividends paid are not foreign income dividends. If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the UK, you should consult your professional adviser.

## 18. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this document which are or may be material or have been entered into by any member of the Group and contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group at the date of this document:

### MATERIAL CONTRACTS RELATING TO THE REORGANISATION

#### 18.1 *Acquisition Agreement*

The Company, the Sellers, TL and THL entered into the Acquisition Agreement on 14 June 2018 in respect of the acquisition by the Company of the entire issued share capital in TL. The Acquisition Agreement is conditional on Admission occurring before 29 June 2018.

The consideration payable by the Company for the TL Shares is £31,239,598 in total to be satisfied as follows: £26,663,400 payable as cash consideration to Elysian, Opera Finance, Colin Turner and the EBT Beneficiaries; £3,068,840 to be satisfied by the allotment and issue of the Consideration Shares to the Management Sellers; and £1,507,358 payable as cash consideration to the Management Sellers. Further details of the consideration payable are set out in the table at the end of this paragraph 18.1.

The Sellers have agreed to pay a contribution to the Company's fees incurred in connection with Admission and the Placing. Accordingly on completion of the Acquisition Agreement the Sellers will receive cash proceeds net of their agreed contribution to the Company's fees.

THL has agreed to pay James Ritchie-Bland a bonus of £1,000,000 (less any income tax or employees' National Insurance contributions required to be deducted therefrom). Elysian and Opera Finance have agreed to reimburse THL in respect of the bonus paid to James Ritchie-Bland. THL will pay all employer's National Insurance contributions to HM Revenue and Customs.

Under the terms of the Acquisition Agreement the EBT Beneficiaries agree to procure the transfer of the legal title to the EBT Shares to the Company and to pay to THL the amount of income tax and employee's National Insurance contributions due in respect of their acquisition of TL Shares under the declarations of trust entered into with Tekmar EBT on terms that THL shall then pay such amounts to HM Revenue and Customs.

The Acquisition Agreement incorporates an escrow arrangement whereby a number of the key documents are executed by the Escrow Parties and are then deposited with Womble Bond Dickinson (UK) LLP (acting as escrow agent). These documents include (amongst others) (i) the Escrow Agreement executed by the Sellers; (ii) duly executed stock transfer forms in respect of the TL Shares in favour of the Company; and (iii) duly executed declarations of trust in respect of the TL Shares in favour of the Company. The declarations of trust enable the TL Shares to transfer to the Company immediately on Admission without any subsequent delay whilst the stock transfer forms are stamped. Completion will occur in accordance with the terms of the Escrow Agreement.

Under the Acquisition Agreement the directors of TL agree to hold a board meeting of TL where they will, among other things, sub-divide and redesignate all of the TL share capital as further described in paragraph 3.5 (*TL Share Reorganisation*) of this Part V.

Immediately on completion of the Acquisition Agreement the Company shall procure the repayment by THL of all principal and accrued interest owing as at Admission in respect of the Elysian Loan Notes, the Opera Finance Loan Notes and the Term Loan, as further described in paragraph 3.6 (*Repayment of Group Debt*) of this Part V.

Each Seller jointly and severally warrants to the Company that the TL Shares are fully paid or credited as fully paid and constitute the entire issued and allotted share capital of TL and that each of the Sellers has the necessary power and authority to execute, deliver and perform its respective obligations under the Acquisition Agreement and other agreed form documents to which it is a party.

The Acquisition Agreement provides that on completion of the Acquisition the Investment Agreement will terminate.

The Acquisition Agreement and any disputes or claims arising out of or in connection with it or its subject matter or formation is governed by and construed in accordance with English law.

*Consideration payable to the Sellers and the EBT Beneficiaries*

<i>(1)</i> <i>Sellers</i>	<i>(2)</i> <i>Consideration</i> <i>Shares</i>	<i>(3)</i> <i>Cash</i> <i>Consideration</i>
Elysian Capital GP (Scotland) Limited (acting as general partner of Elysian Capital General Partner LP acting as general partner Elysian Capital I LP)	–	£7,621,557
Opera Finance International S.A.	–	£2,721,984
James Ritchie-Bland	1,013,374 Shares	£658,694
Colin Geoffrey Turner	–	£12,161
Gary Ritchie-Bland	49,738 Shares	£5,267
Susan Hurst	276,569 Shares	£179,770
Jack Simpson	195,009 Shares	£126,756
Terence Sheldrake	66,660 Shares	£43,329
Alasdair Macdonald	434,526 Shares	£282,442
Russell Edmondson	197,686 Shares	£282,442
Charlie Sullivan	127,084 Shares	£82,604
Tekmar EBT Limited	–	£438,856

<i>(1)</i> <i>EBT Beneficiaries</i>	<i>(2)</i> <i>Consideration</i> <i>Shares</i>	<i>(3)</i> <i>Cash</i> <i>Consideration</i>
James Ritchie-Bland	–	£124,364
Susan Hurst	–	£160,897
Jack Simpson	–	£42,370
Russell Edmondson	–	£42,559
Charlie Sullivan	–	£27,359

**18.2 Agiletek SPA**

The Company, Steven Rossiter, TL and THL entered into the AgileTek SPA dated 14 June 2018 in respect of the sale and purchase of 20 ordinary shares of £1 each in the capital of Agiletek held by Steven Rossiter. The AgileTek SPA is conditional upon Admission occurring prior to 4 July 2018. Upon completion of the AgileTek SPA THL will hold the entire issued share capital in Agiletek.

In consideration for purchasing the AgileTek Shares, THL will issue £200,000 nominal unsecured loan notes to Steven Rossiter. TL will in turn, acquire the THL Loan Notes in consideration for the issue by TL of £200,000 nominal unsecured loan notes to Steven Rossiter. The Company will then acquire the TL Loan Notes held by Steven Rossiter in consideration for the issue to Steven Rossiter of 102,564 Consideration Shares and a cash payment of £66,667.

The AgileTek SPA incorporates an escrow arrangement whereby a number of the key documents are executed by the relevant parties at “Effective Completion” and are then deposited with Womble Bond Dickinson (UK) LLP (acting as escrow agent). These documents include (i) the Escrow Agreement executed by Steven Rossiter; (ii) a duly executed stock transfer form in respect of the AgileTek Shares in favour of THL; (iii) a duly executed transfer of the THL Loan Notes in favour of TL; and (iv) a duly executed transfer of the TL Loan Notes in favour of the Company. Completion will occur in accordance with the terms of the Escrow Agreement.

The AgileTek SPA and any disputes or claims arising out of or in connection with it or its subject matter or formation is governed by and construed in accordance with English law.

### 18.3 **Escrow Agreement**

The Sellers, TL, THL, AgileTek, Tekmar EBT, Tekmar Energy and Steven Rossiter have entered into an Escrow Agreement with Womble Bond Dickinson (UK) LLP dated 14 June 2018 to hold the Escrow Documents in escrow until Completion.

The release of Escrow Documents is conditional on Admission, confirmation of which will be given by Grant Thornton. TL has undertaken to indemnify and hold Womble Bond Dickinson (UK) LLP harmless against all claims, actions, proceedings, demands, liabilities, losses and costs which it may incur in respect of its duties as an escrow agent under the Escrow Agreement.

The Escrow Agreement and any disputes or claims arising out of or in connection with it or its subject matter or formation is governed by and construed in accordance with English law.

### 18.4 **Subscription Letter: the Company subscribing for shares in TL**

Under a subscription letter to be entered into on Admission, the Company will apply for the allotment to it of 24,760,402 ordinary shares of £0.001 each in the capital of TL for par value in cash subject to TL's articles of association. Pursuant to the terms of the Acquisition Agreement the Company has instructed TL to use the cash proceeds from this subscription to subscribe for shares in its wholly owned subsidiary, THL.

### 18.5 **Subscription Letter: TL subscribing for shares in THL**

Under a subscription letter to be entered into on Admission, TL will apply for the allotment to it of 24,760,402 ordinary shares of £1 each in the capital of THL subject to the THL's articles of association. As the sole shareholder in THL, TL has instructed THL to use the cash proceeds from this subscription to repay principal and accrued interest on the Elysian Loan Notes, the Opera Finance Loan Notes and the principal and accrued interest on the Term Loan.

## **MATERIAL CONTRACTS FOR ADMISSION**

### 18.6 **Nominated Adviser Agreement**

The Company, the Directors and Grant Thornton have entered into a nominated adviser agreement dated 14 June 2018 (**Nominated Adviser Agreement**), pursuant to which and conditional upon Admission, the Company has appointed Grant Thornton to act as its nominated adviser for the purposes of the AIM Rules. The Company has also agreed to pay an annual advisory fee for its services as nominated adviser. The Nominated Adviser Agreement contains certain indemnities given by the Company to Grant Thornton. The agreement is governed by English law, and the parties submit to the exclusive jurisdiction of the court of England.

### 18.7 **Broker Agreement**

The Company and Berenberg have entered into a broker agreement dated 14 June 2018, on customary terms, under which the Company has appointed Berenberg to act as its broker for the purposes of the AIM Rules. The agreement contains certain indemnities given by the Company to Berenberg. The agreement is governed by the laws of England and Wales and the parties submit to the exclusive jurisdiction of the courts of England.

### 18.8 **Placing Agreement**

Pursuant to a placing agreement dated 14 June 2018 between the Company, the Directors, the Sellers, Grant Thornton and Berenberg (**Placing Agreement**) Berenberg has agreed, subject to certain conditions including Admission, as agent for the Company, to use its reasonable endeavours to procure Placees for the Placing Shares at the Placing Price. The Placing Agreement is conditional on, *inter alia*, Admission occurring by 8.00 a.m. on 20 June 2018 or by such later date as is agreed in writing between the Company and Berenberg, being not later than 8.00 a.m. on 4 July 2018.

The Placing Agreement contains certain customary representations and warranties from the Company, the Directors and the Sellers in favour of Berenberg and Grant Thornton, as to the accuracy of the information in this document and certain other matters concerning the Company and an indemnity from the Company to Berenberg and Grant Thornton and their affiliates in respect of certain

liabilities and claims that may arise or be made against them in connection with the Placing and Admission.

The Company has agreed to pay Berenberg a commission of 4 per cent. of the aggregate value of the Placing Shares subscribed at the Placing Price, and certain costs and expenses of the Placing, together with any applicable VAT.

Grant Thornton and Berenberg have the right to terminate the Placing Agreement prior to Admission in certain circumstances, including, *inter alia*, any breach by the Company, or any Director, or any Seller, of any of their respective obligations or warranties in the Placing Agreement or in certain force majeure situations. If the Placing Agreement is terminated, the Placing will not proceed and no Placing Shares will be issued under the Placing. The Placing Agreement is governed by English law and is subject to the exclusive jurisdiction of the English Courts.

#### 18.9 **Lock-in and orderly market arrangements**

On 14 June 2018, the Company, the Management Sellers, Grant Thornton and Berenberg entered into a Lock-in Agreement pursuant to which the Management Sellers have agreed not to dispose of any interest in Shares for the period of 12 months following Admission without the prior written consent of each of Grant Thornton and Berenberg. The Management Sellers have also agreed for a further period of 12 months to only dispose of an interest in Shares through Berenberg (or the Company's broker from time to time) in accordance with Berenberg's (or the Company's broker from time to time) reasonable requirements with a view to maintenance of an orderly market in the Shares.

### **MATERIAL CONTRACTS**

- 18.10 On 9 January 2018 Barclays Bank PLC granted a bonds, guarantees and indemnities facility of £850,000 to Tekmar Energy for general corporate purposes. The facility is repayable on demand by Barclays Bank PLC and any undrawn amounts may be cancelled at any time.
- 18.11 On 10 January 2018 Barclays Bank PLC granted a trade cycle loan facility to Tekmar Energy of £1,400,000 for working capital purposes. The facility is repayable on agreement between Tekmar Energy and Barclays Bank PLC.
- 18.12 On 4 April 2018 Barclays Bank PLC granted an uncommitted bonds, guarantees, standby letters of credit and/or indemnities facility of £2,500,000 to Tekmar Energy. The facility is supported by UK Export Finance under its Bond Support Scheme, and is for general corporate purposes, in support of obligations under supply contracts connected with exports which are considered by the bank to meet the relevant eligibility criteria under the Bond Support Scheme. The facility is repayable on demand by Barclays Bank PLC and any undrawn amounts may be cancelled at any time.
- 18.13 On 15 May 2015 Barclays Bank PLC granted an overdraft facility of up to £250,000 to Tekmar Energy for working capital purposes. The facility is repayable on demand by Barclays Bank PLC and any undrawn amounts may be cancelled at any time.

### **19. CONSENTS**

- 19.1 The nominated adviser to the Company is Grant Thornton, which is authorised and regulated in the UK by the FCA. Grant Thornton has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and reference to it in the form and context in which it appears.
- 19.2 The broker to the Company is Joh. Berenberg Gossler & Co., KG, London Branch which is authorised by the German Federal Financial Supervisory Authority and subject to limited regulation in the UK by the FCA. Berenberg has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.
- 19.3 Grant Thornton in the capacity of Reporting Accountants to the Company has given and not withdrawn its written consent to the inclusion in this document of its report set out in Section A of Part III of this document and the reference to such report, in the form and context in which it is included and has accepted responsibility for its report for the purposes of Schedule Two to the AIM Rules.

## 20. OTHER INFORMATION

- 20.1 Save for the Placing and the Acquisition and as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 31 March 2018, the date to which its latest audited financial statements were made up.
- 20.2 The auditors for the period covered by the financial information set out in Section B of Part III of this document were KPMG LLP, Chartered Accountants, of KPMG LLP, Quayside House, 110 Quayside, Newcastle Upon Tyne, NE1 3DX. KPMG LLP is a member of and regulated by the Institute of Chartered Accountants in England and Wales.
- 20.3 No person (other than the Company's professional advisers named in this document and trade suppliers) has at any time within the twelve months preceding the date of this document received, directly or indirectly, from the Company or entered into any contractual arrangements to receive, directly or indirectly, from the Company on or after Admission any fees, securities in the Company or any other benefit to the value of £10,000 or more.
- 20.4 Tekmar Energy received a letter from a customer on 7 June 2017 advising Tekmar Energy of a cable protection systems failure following a routine inspection. Tekmar Energy is of the opinion that the failure of the product is a result of an incorrect installation parameter for which Tekmar Energy was not involved with or responsible for. No legal proceedings have been served on Tekmar Energy and no further correspondence has been received since 7 August 2017.
- 20.5 The accounting reference date of the Company is 31 March.
- 20.6 The gross proceeds of the Placing receivable by the Company are expected to be £61,797,827, with the total net proceeds of the Placing after settling fees expected to be approximately £58,002,827. The total costs and expenses in relation to Admission and the Placing (including registration and London Stock Exchange fees, printing, advertising and distribution costs, legal, accounting, corporate finance and public relations fees and expenses) are payable by the Company (but are subject to a contribution from the Sellers, as further detailed in the summary of the Acquisition Agreement in paragraph 18.1 of this Part V) (assuming subscription in full) are estimated to amount to approximately £3,795,000, excluding applicable VAT.
- 20.7 It is expected that definitive share certificates will be despatched by first class post on 27 June 2018. In respect of uncertificated shares it is expected that Shareholders' CREST stock accounts will be credited on 20 June 2018. No temporary documents of title will be issued.
- 20.8 The Company confirms that where information in this document has been sourced from a third party, it has been accurately reproduced and the source of the information has been identified. So far as the Company is aware and able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 20.9 Monies received from applicants pursuant to the Placing will be held in accordance with the terms of the application procedures issued by Berenberg until such time as the Placing becomes unconditional in all respects. If the Placing does not become unconditional in all respects by 20 June 2018 (or such later date as Berenberg and the Company may agree), application monies will be returned to applicants as soon as practicable at their own risk and without interest prior to delivery of the Shares. The period within which the Placing applications may be accepted pursuant to the Placing is set out in the Placing Agreement and in the placing terms and conditions announced via a Regulatory News Service on 15 June 2018.
- 20.10 The Placing Price of 130 pence represents a premium of 129 pence above the nominal value of £0.01 pence per Ordinary Share. The Placing Price is payable in full on application.
- 20.11 The Shares are in registered form and will, following Admission, be capable of being held in uncertificated form. Prior to the despatch of share certificates following the Placing, transfers will be certified against the register of members. The Company has applied to Euroclear UK & Ireland Limited, the operator of CREST, for the Shares to be admitted to CREST with effect from Admission and Euroclear UK and Ireland Limited has agreed to such admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificate and transferred otherwise

than by written instrument. The Articles permit the holding of ordinary shares under CREST. CREST is a voluntary system and holders of Shares who wish to retain share certificates will be able to do so. It is expected that definitive certificates will be posted by the Registrar to those Shareholders who are to receive their Placing Shares in certificated form.

- 20.12 No person has made a public takeover bid for the Company's issued share capital since the Company's incorporation or in the current financial period and the Company is not aware of the existence of any takeover pursuant to the rules of the City Code.
- 20.13 Except as set out in this document, there are no arrangements relating to the Company, the operation of which may at a subsequent date result in a change of control of the Company.
- 20.14 Except as stated in this document, there have been no principal investments made by the Company during the last three financial years. The Company currently has no significant investments in progress and the Company has made no firm commitments concerning future investments.
- 20.15 Save as disclosed in this document, the Company is not dependent on any patents, licences, industrial or commercial or financial contracts or new manufacturing processes which have a material effect on the Company's business or profitability.
- 20.16 Save as disclosed in this document, there are no environmental issues that the Directors have determined may affect the Company's utilisation of tangible fixed assets and the Directors have not identified any events that have occurred since the end of the last financial year and which are considered to be likely have a material effect on the Company's prospects for the current financial year.
- 20.17 Save as disclosed in this document, there have been no significant recent trends in production, sales and inventory and cost and selling prices of the Group since 31 March 2018.
- 20.18 Save as disclosed in this document, there are no trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year.
- 20.19 The financial information set out in this document does not constitute statutory accounts within the meaning of section 434 of the Act. Statutory accounts have been delivered to the registrar of companies for the periods ended 31 March 2016, 31 March 2017 and 31 March 2018. Auditors' reports in respect of each statutory accounts have been made under section 495 of the Act and each such report was an unqualified report and did not contain any statement under section 498(2) or (3) of the Act.
- 20.20 There are no arrangements under which future dividends are waived or agreed to be waived.
- 20.21 Since the date of its incorporation on 25 May 2018, the Company has not yet commenced operations and it has no material assets or liabilities, and therefore no financial statements have been prepared as at the date of this document.

## **21. AVAILABILITY OF THIS DOCUMENT**

Copies of this document will be available to the public free of charge from the registered office of the Company, at Unit 1, Park 2000, Millennium Way, Aycliffe Business Park, Newton Aycliffe, County Durham DL5 6AR and from the offices of Grant Thornton UK LLP, at 30 Finsbury Square, London, EC2P 2YU, during normal office hours (Saturdays, Sundays and public holidays excepted) for a period of at least one month from the date of Admission. A copy of this document is also available free of charge on the Company's website at [www.tekmar.co.uk](http://www.tekmar.co.uk).

Dated: 14 June 2018





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