Tekmar Group plc

1 June 2021

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

INTERIM RESULTS
For the twelve months ended 31 March 2021

Continued business resilience with refreshed strategic plan underscoring medium term growth ambition

Tekmar Group (AIM: TGP), a leading provider of technology and services for the global offshore energy markets, announces its interim results for the twelve months ended 31 March 2021 (“H1-H2 2021” or the “Period”), reflecting the extended financial year to 30 September 2021 as previously announced in October 2020.

Update on Strategic Plan

Tekmar has concluded its strategic review following the appointment of the new Group CEO Alasdair MacDonald in October last year. This review has reinforced the Board’s confidence in the long-term growth prospects of Tekmar. Through focusing on strengthening the core business and on diversification within the significant offshore wind market opportunity, the Board’s ambition is to:

- Double Tekmar’s revenue within 5 years through organic growth, from the FY20 revenue run-rate of approximately £40m, and deliver a sustainable mid-to high teen EBITDA margin in the later years of the plan
- Strengthen the broader financial characteristics of the business, including more diversified revenue and stronger cash generation
- Reinforce Tekmar’s industry leadership position as a trusted partner for offshore wind customers, building on the Group’s established track record and major market share
- Expand Tekmar’s technical capability, its service and geographical reach to capitalise on expanding global offshore wind markets
- Complement and supplement organic growth through targeted M&A to strengthen our core offshore wind capability, so adding to the doubling of revenue through organic growth
- Underpin the growth ambitions with a robust People Strategy to equip our team with the skills to deliver the Plan

As outlined in previous announcements, the execution of the refreshed strategic plan has commenced, including measures to drive business improvement through increased integration efficiencies and a reduced cost-base. The second stage complements these initiatives with a focus on the growth drivers to deliver the ambition of doubling organic revenue over the five years of the plan. The plan also anticipates phased investment of £10-12m to deliver this growth, self-funded from cash generation. Further commentary on this framework is covered in the Half Year Report. The Company will host a capital markets event in July 2021 to provide a more targeted update to investors on the substance of the strategic plan and the phasing of strategic and financial targets. Further details regarding this event will be announced soon.

Trading Update for the 12 months to 31 March 2021

Highlights

- Results for the Period show continued business resilience in the face of ongoing Covid-19 related market disruption

- The Group maintained a strong position within the offshore renewables market which represented 65% of group revenues in the Period compared to 63% in FY20
- 22% increase in Enquiry Book to £273m in the Period reflects the attractive opportunity in our core offshore wind market
- 45% increase in Order Book to £14.5m in the Period highlights the value our customers place on the services we deliver despite the industry wide slowdown in commercial activity
- Landmark contracts secured in the second half of the Period include:
    - the award of a large retrofit Cable Protection System ("CPS") O&M project in the UK with a value in excess of £4.5m and highlighting collaboration across Tekmar's combined offshore wind offering
    - the award of Pipeshield's largest contract win to date, valued in excess of £4m
    - significant Middle East and Asia awards and multiple CPS awards for European export cables
- The Group reported a modest Adjusted EBITDA loss for the Period reflecting lower revenue as a result of the ongoing impact of the pandemic on order intake, as highlighted to the market previously. Cost savings were implemented whilst maintaining expertise, assets and resources to support future growth as market conditions improve
- Appointment of Ian Ritchey as a Non-Executive Director and Derek Bulmer as CFO, and key senior management appointments made or in progress to support execution of the strategic plan

H1-H2 2021 financials

	H1-H2 2021	FY 2020
• Revenue	**£29.1m**	£40.9m
• Adjusted EBITDA[1]	**(£0.3m)**	£4.7m
• Cash [2]	**£3.8m**	£2.1m

Sales KPIs

	H1-H2 2021	FY 2020
• Order Book[3]	**£14.5m**	£10.0m
• Order intake[4]	**£35.7m**	£43.7m
• Enquiry Book[5]	**£273 m**	£224m

Near-term outlook

Given the prevailing market environment, with ongoing Covid-19 disruption across the industry, the Board remains cautious on the commercial environment in the near-term. The Board expects Tekmar to deliver a stable financial performance in the remainder of the extended financial period to September 2021, with a similar revenue run-rate in the third half to each of the first two interim periods. The Board also expects the business to deliver a broadly similar performance at the Adjusted EBITDA level, and anticipates at least a break-even position for the extended 18 month financial period. The Company's cash position means it is well placed to manage the continued commercial impact of the pandemic until more normalised commercial activity levels return.

Alasdair MacDonald CEO of Tekmar Group, said:

"Tekmar has traded resiliently during these unprecedented times, supported by the strength of our market leading position in offshore wind and the commitment of our people. We are in a period of transition both for Tekmar and the industry more broadly, and our refreshed strategy gives us great confidence in the future success of Tekmar in this maturing and evolving industry, which continues to face near-term pressures relating to the pandemic. We are managing this transition from a strong position and will continue to focus on delivering our innovative technology, expertise and services to our customers in tandem with refocusing our efforts within the organisation to deliver accelerated, profitable growth in line with our strategic plan.

As part of our refreshed strategy, we have identified significant market opportunities and set out today our ambition to double our revenue organically over the next five years. In achieving this ambition, we are investing to strengthen our core business and to diversify further into the adjacent market opportunities in the offshore wind industry where our capability will resonate strongly. We are excited about the opportunity ahead and, whilst the path to delivering on our ambition will not be linear, we are building a more balanced, more predictable and more profitable business that will sustain its industry leadership position over the long term. The journey has started and we look forward to providing investors with more detail on our strategic plan at our upcoming capital markets event."

Notes:

(1) Adjusted EBITDA is defined as profit before finance costs, tax, depreciation, amortisation, share based payments charge, and exceptional items is a non-GAAP metric used by management and is not an IFRS disclosure.
(2) Cash reflects gross cash. For H1-H2 this includes the CBILs loan of £3m received in April 2020
(3) Order Book is secured revenue still to be delivered under signed contracts with clients.
(4) Order intake is the value of contracts awarded in the Period, regardless of revenue timing.
(5) Enquiry Book is defined as all active lines of enquiry within the Tekmar Group.

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About Tekmar Group plc - www.tekmargroup.com

Tekmar Group plc's vision is to be the leading provider of technology and services to the global offshore energy markets. The Group has five primary operating companies; these are Tekmar Energy Limited, Subsea Innovation Limited, AgileTek Engineering Limited, Ryder Geotechnical Limited and Pipeshield International limited.

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

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

AgileTek Engineering ("AEL") is an award-winning subsea engineering consultancy for offshore energy projects. AgileTek helps its clients de-risk projects through advanced computer simulation and analysis. AgileDat, a division of AgileTek, provides software development, cloud architecture and data analytics services.

Ryder Geotechnical ("RGL") provides expert geotechnical design and consulting services to the offshore wind and subsea oil and gas sectors. Services include offshore structure foundation design, geohazard assessment and subsea cable routing and burial assessment.

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

Tekmar Energy is headquartered in Newton Aycliffe in the United Kingdom; AgileTek operates from an office in London; Subsea Innovation has its head office and manufacturing centre in Darlington, United Kingdom. Ryder operates in Newcastle and within AgileTek London, Pipeshield headquarters are in Lowestoft with manufacturing in Montrose and Blyth. Tekmar Group plc also has strategic supply bases and representation across Europe, Africa, the Middle East and Asia Pacific.

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INTERIM REPORT FOR THE 12 MONTHS TO 31 MARCH 2021

The primary focus of our business over the 12 months under review has been on managing our response to the impact of Covid-19 and latterly establishing and embedding our refreshed strategy. Covid-19 has been a constant during this period, demanding a lot of our customers and of our people as they have responded to the impact of the pandemic in both a business and personal capacity. On behalf of the Board, I want to recognise the continued commitment, resilience and dedication of our people as well as thank our customers, partners and suppliers for their support and patience as they have managed these challenges. Whilst Covid-19 has tested our business, I believe it has highlighted the strengths and resilience of Tekmar. Our business is built on strong foundations and we have continued to support our customers, as their requirements and needs have changed. This customer-centric approach is at the heart of our refreshed strategy, which creates a clear roadmap ahead for sustained industry leadership and profitable growth.

Following my appointment as CEO in October 2020, we commenced a review of the internal operations and activities of the business. The initial stage of this review, to reorganise the business to deliver increased integration efficiencies across the Group and a reduced cost-base, better aligned to the current market environment, has been concluded. With these increased efficiencies, the Group is in a stronger position to weather the short-term disruption to its markets and performance, caused by the Covid-19 pandemic.

The fundamentals of the business remain strong, with a robust balance sheet, in-house expertise and IP, an excellent track record and major market share, and, following the initial stage of the review, a more efficient and simplified structure. Today we have outlined the ambition for Tekmar to build on these strong foundations and double revenue organically within the next five years, from the FY20 revenue run-rate of £40m, with improved profitability and cash generation. Our plan to achieve this accelerated growth sees Tekmar expanding and deepening the capability we offer customers by both strengthening our core offering and diversifying into adjacent products, markets and services where our technology, expertise and service level will resonate strongly.

By focusing the business on clear growth initiatives, we will diversify our revenue mix into these attractive growth and high value opportunities which, combined with a focus on business improvement and efficient investment, we expect Tekmar will deliver a transformation in profitable growth over the five years of the plan. Adjusted EBITDA is expected to build to a sustainable mid-to-high teens margin in the later years in the plan, with the business generating stronger cashflow to self-fund investment and complementary bolt-on acquisitions.

The path to delivering on our ambition will not be linear and will be dependent on, amongst other factors, the market environment and the timing and speed of investment in growth initiatives. Our roadmap reflects a two-year transition period as we position the business to deliver accelerated growth and margin improvement over the remainder of the plan and beyond, supported by long-term industry fundamentals which remain very compelling.

In addition to ongoing business improvement, we will focus on the following key initiatives to deliver on the plan:

- **Cable Protection System Generational Development**

As the offshore wind turbine industry develops, with ever larger and more complex installation requirements, Tekmar will continue to invest in its CPS technology to maintain its established position as the technical and technology leader in this field. Global demand for this product remains strong over the longer-term, although industry analysts highlight a drop-off in new capacity coming on-stream in 2022, before an acceleration in demand from 2023 onwards. Tekmar will develop its Generation 11 technology to meet this upturn in demand from projects going into installation in 2023. CPS will continue to be an anchor technology for Tekmar as the business diversifies into adjacent market opportunities.

- **Offshore Wind Operations & Maintenance ("O&M")**

This is a key area of diversification for Tekmar for future growth, positioning Tekmar to capture more of the lifecycle value of a project, improving longer-term visibility and generating high quality recurring revenue. Offshore wind O&M is a fast-growing and maturing market and our existing capability and market leadership in supporting project installation extends clearly into the O&M market. As part of the plan, we will invest in our O&M offering with a particular focus on cable repair and maintenance, monitoring and inspection, data processing and management and engineering assessments and analysis.

- **Subsea Grouting**

Subsea grouting is a well-established multisector industry where we can utilise Pipeshield's position as a market leading provider of specialised subsea protection technologies to expand our service offerings in this large global market, particularly in the installation and connection of subsea foundation structures. Initial focus will be in the Middle East, which will support organic growth in our Offshore Infrastructure revenues.

- **Floating Offshore Wind Solutions**

Floating offshore wind is an emerging market which will be a key part of the future offshore renewable energy mix. Our technology led approach and expertise in fixed offshore wind extends well into this market, which is expected to grow at commercial scale from 2025. We have established our presence in this market and are currently supporting a number of offshore wind projects, installed and planned, and the strategic plan sees investment in our capability to meet growing demand as the market develops and scales.

- **New geographies**

The geographies relevant to the offshore wind market, and broader offshore energy infrastructure markets, continues to expand as the industry matures. Building on our successful geographical expansion, including most recently establishing our base in Shanghai, China in 2018, we will establish a regional base in the Middle East, a key region for major investment in offshore and marine infrastructure projects. Through establishing a dedicated capability in the region, Tekmar will build on its established relationships in the region and extend its presence including in port infrastructure projects and the emerging renewables industry.

Investment in the above key initiatives is expected to account for approximately half of the £10-12m we have earmarked for investment over the course of the plan, with the remainder identified for wider product development opportunities alongside the usual annual capital requirements for the production facilities. The phasing of this expenditure is such that it is anticipated to be self-funded from cash generation.

- **Complementary M&A**

M&A activity has been a core element of Tekmar's strategy, including the acquisition of Pipeshield and Ryder Geotechnical in 2019. These businesses have been integrated into the Group and contributed synergistic benefits, particularly cross-sell with large multi-company awards. Going forward, we expect M&A to be a core element of our strategy in terms of acquiring bolt-on technologies and services that align with our offshore wind focused growth plan. Funding for these acquisitions will be reviewed on a case-by-case basis.

- **Environmental, Social and Governance ("ESG") strategy, incorporating our People strategy**

As part of the refreshed strategy, the Board is committed to developing a detailed ESG strategy and has created an initial steering group to develop this initiative across the Group. In addition to our environmental commitments, we have created our People strategy, which includes a detailed roadmap of people development activities and targets over the next three years to equip our people to succeed and reach the wider business goals.

We have already started on this journey and are pleased to announce to our team today that it is our intention to award all staff with Free Shares to recognise their loyalty and commitment over what has been a challenging year for many people at a personal level. The total award will not exceed 0.5% of issued share capital.

Other recent highlights of our People strategy in action include:

- Strengthened and re-organised the senior management team with further investment within our Engineering and Design teams, including the appointment of Dave Thompson, Group Engineering Director with further appointments in progress
- Increased focus on health and wellbeing for all staff with the launch of our Health and Wellbeing Calendar 2021 with seven great campaigns
- Launched the 2nd SAYE employee Share Scheme
- Developed a plan for the co-creation of the Group's values to develop a strong culture that all our people are committed to
- Introduced two new Group employee benefits, the first to recognise long service and the second an additional birthday holiday entitlement

Operational Highlights in the Period

Quality Health Safety & Environmental

- Continued to deliver a strong safety performance across the group maintaining a Lost Time Injury ("LTI") free period with the following notable achievements:
    - SIL 8 years LTI free
    - TEL 3.5 years LTI free
    - PIL 5.5 years LTI free

Sales

- Maintained a strong group position within the offshore renewables market which represented 65% of group revenues compared to 63% in FY20.
- Transitioned the SIL business to 70% in offshore renewables
- Increased our client base across all the Group businesses
- Secured significant Middle East and Asia awards with focus on in-country content strategy
- Multiple CPS awards for European cable protection
- Award of large retrofit UK CPS O&M project
- 22% increase in enquiry book in the Period
- 18% decrease in order intake in the Period, with 35% increase in order intake from H1 21 position
- 45% increase in order book in the Period
- Intake prospects are strong across the complete range of products on a global basis.
- Subsea Grouting division launched and sales growth is expected to develop alongside capital equipment acquisitions with initial orders for grouting materials secured in the period

Geographic Expansion

- Established strategic partnership agreements within the US in preparation for the anticipated growth in the US Offshore Wind industry
- Appointed local representation within India
- Completed registration of our local entities within UAE and KSA, supported by a dedicated plan for expansion within the region

Project Delivery

- Successful delivery and installation of our latest Generation 10 CPS product
- Cloud based internal process improvements and systems developed
- Developed tools to increase the safety and efficiency of diving operations for OPEX in offshore renewables

- Developed systems to extend the life of assets in offshore renewables
- Research and development of new sealing technologies
- Supply of first French CPS OWF project
- Increased volume of CPS manufactured and exported to China domestic market
- Increased local in-country content within China and Middle East to reduce direct costs
- Production facility consolidation
- Business wide improvement program developed to drive the key elements of the group strategy
- Successful offshore deployment of new technology for our second major O&M contract, paving the way for a new business stream

CPS

Shareholders will have seen the update we provided to the market on 4 May 2021, relating to industry wide cable installation issues and we are pleased to advise that discussions continue in a collaborative way with our customers relating to support for infield cable protection issues caused by the movement of the CPS over the rock-scour protection installed on the seabed.

This supports our strategic initiative to further diversify within the Offshore Wind market by way of supporting the wider lifecycle of offshore wind projects where we believe Tekmar's technical understanding can be of real value to our customers.

The installation and maintenance of cables and cable protection systems in challenging subsea environments is complex and failure can be the result of many key factors, such as installation and scour protection, where Tekmar is not currently engaged. The technology solution continues to evolve as the industry matures to meet the changing requirements to support offshore wind developments, such that CPS abrasion is not expected to be an issue for future projects.

Our Markets

The global market for offshore wind, the Group's core market, continues to strengthen and we are encouraged by the UK Government's initiatives to support UK content within the UK sector. Most notably:

- Projected global demand increasing from a fully commissioned capacity of 33GW to projected global capacity of 238GW (starting offshore construction) by 2030, with live project visibility on over 169GW representing circa 350 projects globally (source: 4C Offshore Global Market Overview Q1 2021)
- UK Government commitment to remove subsidies for offshore wind farms where UK supply chain is not utilised
- Aligning with UK ambition to deliver 40GW by 2030, an increase from current installed capacity of 10.4GW, supported by UK commitment to invest £160m to develop ports and infrastructure in Northern England and £40m in the Port of Leith in Scotland
- US target to deliver 30GW installed offshore wind capacity by 2030, broadly equivalent to existing global installed offshore wind capacity
- Estimated €50bn global spend on subsea cable procurement and installation in the next decade with over 60,000km of subsea cable to be installed by 2030, creating substantial opportunity for Group's technology and services
- China and US to join UK as largest offshore wind markets within the decade, markets which the Group already supplies and is well-positioned to benefit from future growth
- Global floating wind market switching pace in next five years with 19GW installed capacity forecast by 2030, supporting Group's accelerated growth strategy

The 22% Enquiry Book increase to £273m in the Period reflects the above growth now being tendered, presenting a compelling opportunity for the wider group business as demand for offshore wind energy increases in key markets.

Tekmar has a strong track record and dominant market share in cable protection systems in the offshore wind market. While the exponential growth of this market is attracting increased competition, our in-house expertise and IP, coupled with our strong balance sheet and cash position, put us in a favourable position to expand our products and services and capitalise on the medium-term opportunity. We have also developed our latest CPS product, Gen10, delivering cost benefits to the industry, whilst also delivering much improved technical capabilities. We are, therefore, confident of remaining a key strategic supplier to our customers in this market.

Whilst our primary market will continue to focus on offshore wind, we see strong opportunities within other offshore markets, where our existing and planned technologies will continue to be in demand through the current energy transition phase. We are also moving to penetrate further the offshore wind OPEX market, which we will support with technology bolt-on acquisitions in due course.

With the increasing geographical split for planned offshore wind-installation projects, we will continue to develop local strategies aligned to our customers' plans, such as in the US where we are now seeing project investments progressing.

Financial review

Key financials £m	**H1-H2 2021**	FY 2020
Revenue	**29.1**	40.9
Gross profit	**8.3**	12.3
Adjusted EBITDA	**(0.3)**	4.7
Operating (loss)/profit	**(2.4)**	2.0
Profit after taxation	**(2.4)**	2.0
Cash	**3.8**	2.1
Adjusted EPS (pence)*	**(3.8)**	5.8

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

Profitability in the Period has predominantly been impacted by delays to order intake which we believe to be as a result of the pandemic slowing down procurement activity throughout the industry, as highlighted in our previous market updates. Whilst the enquiry book remains robust, there is a definite delay in the transition of bids through to preferred bidder and contract award in the Period. We have also experienced some delays in project execution in H2 with client schedules changing, resulting in revenue moving into the final six months of the financial year. Whilst returns at gross profit are in line with last year, the lower volume flows down to a small loss at Adjusted EBITDA, and whilst we did implement cost reductions in H1, we also recognise the need to maintain the core skills within the business to support the expected future growth, thus maintaining the current base level of overhead to service this.

Revenue

Revenue by market £m	**H1-H2 2021**	FY 2020
Offshore wind	18.9	25.7
Other offshore	10.2	15.2
Total	29.1	40.9

Revenue from offshore wind remains the focus for the Group being 65% of revenue, consistent with FY20 (63%). Other offshore includes revenue from all other subsea offshore markets, including oil & gas and marine civil infrastructure. The slow-down in order intake was experienced across all markets and regions that we operate in.

Gross profit

Gross profit by market £m	**H1-H2 2021**	**%**	FY 2020	%
Offshore wind	**6.5**	35%	9.8	38%
Other offshore	**3.7**	36%	4.3	28%
Unallocated costs	**(1.9)**		(1.8)	
Total	**8.3**	29%	12.3	30%

Gross profit returns are broadly in line with FY20 with variations by market a result of project mix. There were a number of smaller projects within offshore wind in the Period, which do not attract the same level of margin as larger scale work however returns in other offshore improved significantly. Unallocated costs relate to the manufacturing costs within the business that are not recovered through individual projects and therefore are not absorbed into the market splits.

Adjusted EBITDA

Adjusted EBITDA is a primary reporting measure used by the Board to measure trading performance. We adjust operating profit to remove certain non-cash and exceptional items to provide a more accurate reflection of underlying earnings.

£m	**H1-H2 2021**	FY 2020
Operating (loss)/profit	**(2.3)**	2.0
Add back:		
Depreciation	**1.3**	1.3
Amortisation	**1.1**	0.8
Share based payments	**(0.4)**	0.5
Exceptional items	**0.0**	0.1
Adjusted EBITDA	**(0.3)**	4.7

Depreciation is in line with FY20 and amortisation has increased due to the full year impact of the charge relating to the Pipeshield acquisition which only started part way through FY20.

Share based payments relate only to the charges for the initial IPO share option scheme which are deemed exceptional for the purpose of calculating underlying trading profit. Due to James Ritchie leaving employment in the Period his options lapsed and the related charges have been released through operating expenses and adjusted back through the Adjusted EBITDA in the Period.

Exceptional items are one-off costs relating to the acquisitions and the only charge this year relates to the delayed charge for stamp duty for the property transfer under the Pipeshield acquisition.

Balance sheet

£m	H1-H2 2021	FY 2020
Property, plant & equipment	**5.4**	5.9
Goodwill and other intangibles	**25.7**	26.3
Inventory	**2.5**	2.5
Trade & other receivables	**18.5**	26.8
Cash	**3.8**	2.1
Current liabilities	**(11.5)**	(16.6)
Non-current liabilities	**(1.0)**	(1.1)

Despite the reduced level of trading in the Period we maintain a robust balance sheet and closed with a cash balance of £3.8m (including the CBILS loan of £3m). Whilst Trade & other receivables has reduced there are still a number of large projects in progress over the Period end included in this balance.

Property, plant & equipment

Capital expenditure has been kept to a minimum over the Period with the £0.8m spend relating mainly to production equipment.

Goodwill and other intangibles

We have continued with product development across the Group investing £0.5m in the Period. The balance also includes the goodwill arising on the original management buy-out in 2011 (£19.6m) and intangible assets and goodwill arising on the acquisition of Subsea Innovation and Pipeshield (£4.4m).

Trade and other receivables

£m	H1-H2 2021	FY 2020
Trade debtors	**7.1**	9.9
Accrued income	**10.0**	15.0
Other debtors	**1.4**	1.9

Both Trade debtors and Accrued income have reduced over the period.

Within Trade debtors, the largest four projects account for 43%. Since the Period end £4.3m of the £7.1m has been received.

Accrued income includes £6.6m across four projects. Since the Period end £4.4m of the £10m has now been invoiced and the remaining balance will be invoiced as the relevant project performance milestones are hit, with 90% of the balance anticipated to be invoiced by the financial year end. The £15m balance from FY20 has materially been invoiced and settled in the Period confirming the normal cycle of revenue through to cash. KPMG reviewed the accrued income balance at the end of the Period as part of their review of the Interim Statement of Results for the Board and were satisfied with management's assessment of this.

There are no anticipated issues identified regarding the recoverability of the trade and other receivables balances.

Current liabilities

Reduced levels of Trade payables are in line with the lower activity in the Period. Current liabilities includes the £3m CBILS loan from Barclays which has been used to support our operating requirements over the Period. We anticipate positive cash inflows from working capital to support the repayment of this loan when due in October 2021, without disruption to the working capital required by the Company.

A Final Note

Tekmar has traded resiliently during these unprecedented times, supported by the strength of our market leading position in offshore wind and the commitment of our people. We are in a period of transition both for Tekmar and the industry more broadly, and our refreshed strategy gives us great confidence in the future success of Tekmar in this maturing and evolving industry, which continues to face near-term pressures relating to the pandemic. We are managing this transition from a market-leading position and will continue to focus on delivering our innovative technology, expertise and services to our customers in tandem with refocusing our efforts within the organisation to deliver accelerated, profitable growth in line with our strategic plan. We look forward to providing shareholders with more detail on our strategic plan at our upcoming capital markets event and thank them for their continued support.

Alasdair MacDonald
Chief Executive Officer
1 June 2021

Consolidated Statement of Comprehensive Income

	Note	**Unaudited 12 months ended 31 March 2021**	Audited Year ended 31 March 2020
		£'000	£'000
Revenue	4	**29,139**	40,943
Cost of sales		**(20,820)**	(28,671)
Gross profit		**8,319**	12,272
Operating expenses		**(10,742)**	(10,227)
Other operating income		**58**	-
Group operating (loss)/profit		**(2,365)**	2,045
Analysed as:			
Adjusted EBITDA[1]		**(336)**	4,695
Depreciation		**(1,309)**	(1,253)
Amortisation	8	**(1,081)**	(834)
Share based payments credit/(charge)		**397**	(454)
Exceptional items		**(36)**	(109)
Group operating (loss)/profit		**(2,365)**	2,045
Finance costs	5	**(137)**	(170)
Finance income	5	**48**	84
Net finance costs		**(89)**	(86)
(Loss)/Profit before taxation		**(2,454)**	1,959
Taxation	7	**104**	3
(Loss)/Profit for the period and total comprehensive (expense)/income		**(2,350)**	1,962
(Loss)/Earnings per share (pence)			
Basic	6	**(4.58)**	3.85
Diluted	6	**(4.58)**	3.73

There are no items of Other Comprehensive Income.

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

All results derive from continuing operations.

Consolidated Balance Sheet

	Note	**Unaudited 12 months ended 31 March 2021**	Audited Year ended 31 March 2020
		£'000	£'000
Non-current assets			
Property, plant and equipment		**5,386**	5,892
Goodwill and other intangibles	8	**25,721**	26,294
Total non-current assets		**31,107**	32,186
Current assets			
Inventory		**2,508**	2,536
Trade and other receivables	9	**18,546**	26,819
Cash and cash equivalents		**3,781**	2,130
Total current assets		**24,835**	31,485
Total assets		**55,942**	63,671
Equity and liabilities			
Share capital		**513**	513
Share premium		**64,100**	64,100
Merger relief reserve		**1,738**	1,738
Merger reserve		**(12,685)**	(12,685)
Retained losses		**(10,197)**	(7,690)
Total equity		**43,469**	45,976
Non-current liabilities			
Borrowings		**247**	310
Trade and other payables		**347**	355
Deferred tax liability		**370**	469
Total non-current liabilities		**964**	1,134
Current liabilities			
Trade and other payables		**8,128**	16,010
Corporation tax payable		**293**	47
Other interest-bearing loans and borrowings		**3,088**	504
Total current liabilities		**11,509**	16,561
Total liabilities		**12,473**	17,695
Total equity and liabilities		**55,942**	63,671

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Merger relief reserve	Merger reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2019	**507**	**64,100**	**993**	**(12,685)**	**(10,098)**	**42,817**
Profit for the period	-	-	-	-	1,962	1,962
Total comprehensive income for the period	-	-	-	-	1,962	1,962
Issue of shares	6	-	745	-	-	751
Share based payments	-	-	-	-	446	446
Total transactions with owners, recognised directly in equity	6	-	745	-	446	1,197
Balance at 31 March 2020	**513**	**64,100**	**1,738**	**(12,685)**	**(7,690)**	**45,976**
Loss for the period	-	-	-	-	(2,350)	(2,350)
Total comprehensive income for the period	-	-	-	-	(2,350)	(2,350)
Share based payments	-	-	-	-	(157)	(157)
Total transactions with owners, recognised directly in equity	-	-	-	-	(157)	(157)
Balance at 31 March 2021	**513**	**64,100**	**1,738**	**(12,685)**	**(10,197)**	**43,469**

Consolidated Cash Flow Statement

	Unaudited 12 months ended 31 March 2021	Audited Year ended 31 March 2020
	£'000	£'000
Cash flows from operating activities		
(Loss)/Profit before taxation	**(2,454)**	1,959
Adjustments for:		
Depreciation	**1,309**	1,253
Amortisation of intangible assets	**1,081**	834
Share based payments charge	**(131)**	488
Finance costs	**137**	170
Finance income	**(48)**	(84)
	(106)	4,620
Changes in working capital:		
Decrease/(Increase) in inventories	**28**	(512)
Decrease/(Increase) in trade and other receivables	**8,273**	(4,393)
(Decrease)/increase in trade and other payables	**(7,890)**	2,357
Cash used in from operations	**305**	2,072
Tax recovered	**225**	209
Net cash (outflow)/inflow from operating activities	**530**	2,281
Cash flows from investing activities		
Purchase of property, plant and equipment	**(756)**	(1,704)
Purchase of intangible assets	**(508)**	(729)
Acquisition of subsidiary net of cash acquired	**-**	(1,637)
Interest received	**5**	84
Net cash outflow from investing activities	**(1,259)**	(3,986)
Cash flows from financing activities		
New bank borrowings	**3,000**	-
Repayment of borrowings	**(483)**	(355)
Interest paid	**(137)**	-
Net cash inflow/(outflow) from financing activities	**2,380**	(355)
Net increase/(decrease) in cash and cash equivalents	**1,651**	(2,060)
Cash and cash equivalents at beginning of period	**2,130**	4,190
Cash and cash equivalents at end of period	**3,781**	2,130

Consolidated Cash Flow Statement

Analysis of changes in net debt

	As at 1 April 2020	Cash flows	Capitalisation of interest	**As at 31 March 2021**
	£’000	£’000	£’000	**£’000**
Cash	2,130	1,651	-	**3,781**
Bank Borrowings	-	(3,000)	-	**(3,000)**

	As at 1 April 2019	Cash flows	Capitalisation of interest	As at 31 March 2020
	£’000	£’000	£’000	£’000
Cash	4,190	(2,060)	-	2,130

Notes to the Condensed consolidated interim financial information

1. GENERAL INFORMATION

Tekmar Group plc (the "Company") is a public limited company incorporated and domiciled in England and Wales. The registered office of the Company is Innovation House, Centurion Way, Darlington, County Durham, DL3 0UP. The registered company number is **11383143**.

The principal activity of the Company and its subsidiaries (together the "Group") is that of design, manufacture and supply of subsea cable, umbilical and flexible protection systems operating across the Offshore Wind, Oil & Gas and other energy sectors, including associated subsea engineering services.
These condensed interim financial statements ("interim financial statements") have not been audited or reviewed by the Company's auditor.

Forward looking statements

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

2. ACCOUNTING POLICIES

(a) Basis of preparation

The interim financial statements for the twelve months ended 31 March 2021 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". They should be read in conjunction with the Annual Report for the year ended 31 March 2020 which was prepared in accordance with International Financial Reporting Standards ('IFRS'), and their interpretations adopted by the European Union. The interim financial statements have been prepared on the going concern basis and on the historical cost convention modified for the revaluation of certain financial instruments.

These interim financial statements do not constitute the Group's statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparatives for the full year ended 31 March 2020 are not the Company's full statutory accounts for that year. They have been extracted from the 2020 Annual Report. The accounting policies applied to these financial statements are in line with those disclosed in the 2020 Annual Report.

(b) Going concern

The Group meets its day-to-day working capital requirements through its available banking facilities. The Group held £3.8m of cash at the end of the period including cash received from the CBILS loan of £3m in April 2020 (available through to October 2021) to ensure any short-term impact of Covid-19 is manageable. There are no financial covenants that the Group must adhere to. The Directors have prepared cash flow forecasts to 30 September 2022. 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. The Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future, including the repayment of the CBILs loan in October 2021. For this reason, they continue to adopt the going concern basis in preparing the interim financial statements.

(c) New standards, amendments and interpretations

At the date of authorisation of these interim financial statements there are no standards in issue which are expected to have a material impact on the Group.

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In the preparation of the interim financial statements the Directors, in applying the accounting policies of the Group, make some judgements and estimates that effect the reported amounts in the interim financial statements. The Directors consider that the following estimates and judgements are likely to have the most significant effect on the amounts recognised in the Group financial statements.

(a) Critical judgements in applying the entity's accounting policies

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

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

(b) Critical accounting estimates

Revenue Recognition – Stage of completion when using input method
Revenue on contracts is recognised based on the stage of completion of a project, which, when using the input method, is measured as a proportion of costs incurred out of total forecast costs. Forecast costs to complete each project are therefore a key estimate in the financial statements and can be inherently uncertain due to changes in market conditions.

For the partially complete projects in Tekmar Energy at Period end if the percentage completion was 1% different to management's estimate the revenue impact would be £186,076. Within Subsea Innovation and Pipeshield International there were a number of projects in progress over the year end and a 1% movement in the estimate of completion would impact revenue in each by £10,529 and £47,886 respectively. However, the likelihood of errors in estimation is small, as the businesses have a history of reliable estimation of costs to complete and given the nature of production, costs to complete estimate are relatively simple.

4. SEGMENTAL ANALYSIS

Management has determined the operating segments based upon the information provided to the Board of Directors which is considered the chief operation decision maker. The Group is managed and reports internally by business entity and changed the composition of its reportable segments for the year ended 31 March 2020 to reflect this. All previous periods were reported as one reportable segment. Project performance is monitored by Offshore Wind and Other Offshore markets, but the Board does not measure profit or cash by market. All assets of the Group reside in the UK.

Major customers

In the Period ended 31 March 2021 there was one major customer that individually accounted for at least 10% of total revenues (2020: two customers), being £4,009,477 (2020: £11,079,395). Included within this is revenue from multiple projects with different entities.

Analysis of revenue

	Unaudited 12 months ended 31 March 2021	Audited Year ended 31 March 2020
	£'000	£'000
UK & Ireland	**15,342**	24,152
Rest of the World	**13,797**	16,791
	29,139	40,943

Analysis of revenue by market

Offshore wind	**18,883**	25,706
Other offshore	**10,256**	15,237
	29,139	40,943

Revenue for the Offshore Wind market is reported separately from all other revenue, which reflects the focus on management on this key market. All other revenue is included in Other offshore.

5. NET FINANCE COSTS

	Unaudited 12 months ended 31 March 2021	Audited Year ended 31 March 2020
	£'000	£'000
Interest payable and similar charges		
On bank facilities	**137**	170
Total interest payable and similar charges	**137**	170
Interest receivable and similar income		
Interest receivable	**(5)**	(4)
Fair value movement on forward foreign exchange contracts	**(43)**	(80)
Total interest receivable and similar income	**(48)**	(84)
Net finance costs	**89**	86

Finance costs mainly relate to interest on bank guarantees, which are a common commercial requirement for offshore wind contracts. Bank facilities include a £6.0m bank guarantee facility, of which £5.7m of bank guarantees were in place at 31 March 2021 (2020: £7.2m).

We hold forward foreign currency contracts to mitigate against movements in the Euro/GBP rate for those contracts that are paid in Euros. The closing rate for revaluation of Euro balances at the 31 March 2021 was 1.1739 (31 March 2020: 1.1306).

6. EARNINGS PER SHARE

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

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

	Unaudited 12 months ended 31 March 2021	Audited Year ended 31 March 2020
Earnings (£'000)		
Earnings for the purposes of basic and diluted earnings per share being loss for the year attributable to equity shareholders	**(2,350)**	1,962
Number of shares		
Weighted average number of shares for the purposes of basic earnings per share	**51,261,685**	50,961,405
Weighted average dilutive effect of conditional share awards	**2,032,894**	1,625,000
Weighted average number of shares for the purposes of diluted earnings per share	**53,294,579**	52,586,405
Earnings/(loss) per ordinary share (pence)		
Basic earnings/(loss) per ordinary share	**(4.58)**	3.85
Diluted earnings/(loss) per ordinary share	**(4.58)**	3.73
Adjusted earnings per ordinary share (pence)*	**(3.85)**	5.79

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

Earnings (£'000)		
(Loss)/Profit for the period attributable to equity shareholders	**(2,350)**	1,962
Add back/(deduct):		
Amortisation as a result of business combinations	**753**	443
Share based payments	**(397)**	454
Exceptional items	**36**	109
Tax effect of the above	**(15)**	2
Adjusted earnings	**(1,973)**	2,970
Number of shares		
Number of shares in issue at the period end	51,261,685	51,261,685

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

7. TAXATION

The taxation charge represents the loss before tax for the period with an effective tax rate based on that which we expect for the full year.
Our expectation is that the Group will continue to benefit from incentives, such as Patent Box, and this will lead to an effective tax rate that is lower than the main rate of corporation tax for both the current and future years.

8. GOODWILL AND OTHER INTANGIBLES

	Goodwill	Software	Product development	Trade name	Customer relationships	Total
	£'000	£'000	£'000	£'000	£'000	£'000
COST						
As at 1 April 2019	23,705	181	2,001	738	446	27,071
On acquisition	2,587	-	-	551	1,424	4,562
Additions	-	89	640	-	-	729
As at 31 March 2020	26,292	270	2,641	1,289	1,870	32,362
Additions	-	100	408	-	-	508
As at 31 March 2021	**26,292**	**370**	**3,049**	**1,289**	**1,870**	**32,870**
AMORTISATION AND IMPAIRMENT						
As at 1 April 2019	4,109	78	938	36	73	5,234
Charge for the period	-	10	381	97	346	834
As at 31 March 2020	4,109	88	1,319	133	419	6,068
Charge for the period	-	33	295	130	623	1,081
As at 31 March 2021	**4,109**	**121**	**1,614**	**263**	**1,042**	**7,149**
NET BOOK VALUE						
As at 1 April 2019	19,596	103	1,063	702	373	21,837
As at 31 March 2020	22,183	182	1,322	1,156	1,451	26,294
As at 31 March 2021	**22,183**	**249**	**1,435**	**1,026**	**828**	**25,721**

The remaining amortisation periods for software and product development are six months to 36 months (2020: six months to 36 months).

The Directors have carried out an impairment review within the last year in accordance with the accounting policies. The forecast cash generation for each Cash Generating Unit ("CGU") and the Weighted Average Cost of Capital ("WACC") represent significant assumptions.

The cash flows are based on a three-year forecast with growth in year one and two of between 20% and 40% built up from the detailed budget setting process, and target growth rates of 15% applied for the following year. Subsequent years were based on a reduced rate of growth of 2.0% into perpetuity.

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

The discount rate used to test the cash generating units was the Group's pre-tax WACC of 9.3%. The goodwill impairment review has been tested against a reduction in EBITDA by 80% versus the original budget.

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

9. TRADE AND OTHER RECEIVABLES

	Unaudited 12 months ended 31 March 2021	Audited Year ended 31 March 2020
	£'000	£'000
Trade receivables not past due	**5,222**	9,049
Trade receivables past due (1-30 days)	**979**	509
Trade receivables past due (over 30 days)	**898**	296
Trade receivables, net	**7,099**	9,854
Contract assets	**10,020**	14,969
Other debtors	**606**	1,261
Prepayments	**636**	593
Derivative financial assets	**185**	142
	18,546	26,819