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Tekmar Group PLC
15 May 2024

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

UNAUDITED INTERIM RESULTS
For the 6-month period ending 31 March 2024

Tekmar Group (AIM: TGP), a leading provider of technology and services for the global offshore energy markets, announces its interim results for the 6-month period ending 31 March 2024 ("HY24" or the "Period").

Highlights

Group profitability for the Period is the highest in four years driven by strong commercial management

- Revenue of £16.2m (HY23: £15.9m) excludes any contribution from Subsea Innovation Limited ("SIL") sold post period end and treated as a discontinued operation (Comparative figures have been adjusted for comparability)
- Gross profit of £5.4m for the Period (HY23: £4.4m) reflects an increase in the gross profit margin for the Period to 33% (HY23: 28%)
- Adjusted EBITDA of £1.8m reflects a £1.2m improvement on the comparative 6 month period. (HY23: £0.6m)
- On a GAAP basis Group loss before tax was £0.4m (HY23: £1.2m loss)

Order book of £24.1m reflects the benefits of a balanced portfolio across energy and subsea markets

- During the Period, Tekmar's offshore wind business and Pipeshield ("PIL"), secured order intake of £13.7m and £10.0m respectively
- These contract awards support order intake of £23.7m in the financial year to date with a blended gross margin of 31%

The disposal of Subsea Innovation Limited strengthens the core business

- Completed post-Period on 2 May 2024 for a total cash consideration of £1.9m, with cash receipts predominantly phased over the next 12 months
- The Group retained ownership of the premises, with the property valued at £2.8m as at 30 September 2023

Balance sheet supported by SCF Partner's £18.0m Convertible Loan Note facility (the "CLN" facility)

- The Group held £2.7m of cash as at 31 March 2024 with net debt of £3.6m. Net debt included the drawdown of bank facilities from the £3.0m Covid Business Interruption Loan Scheme ("CBILS") and £3.3m of the available £4.0m trade loan facility, both expected to be renewed in 2024.
- This cash position excludes the £18.0m SCF Capital CLN facility committed in 2023 which is available, with conditions, to drive growth including acquisitions

HY24 financials

	6M ending Mar-24 Unaudited £m	6M ending Mar-23 Unaudited £m	12M ending Sep-23 Unaudited £m
Revenue	**16.2**	15.9	35.6
Gross Margin	**33%**	28%	23%
Adjusted EBITDA[1]	**1.8**	0.6	0.6
Net Cash[2]	**(3.6)**	(3.2)	(2.9)

Sales KPIs

	6M ending Mar-24 Unaudited £m	6M ending Mar-23 Unaudited £m	12M ending Sep-23 Unaudited £m
Order Book[3]	**24.1**	23.7	19.9
Order Intake[4]	**23.7**	24.5	44.2

Current trading and outlook

The Board is encouraged by the Group's first half performance with the business on track to achieve its FY24 revenue and EBITDA expectations. Looking ahead to the rest of the year, the market is still impacted by the phasing and timing of major projects, however, we expect another period of positive EBITDA in the second half albeit modestly lower than the first half, with full year 2024 representing a clear improvement in trading profit over the prior year.

The Company continues to maintain tight cost controls and will continue its disciplined programme of targeted capex and investment in product development that represent the greatest opportunity for near-term growth. Capex for FY24 is expected to be in the region of £2m.

Alasdair MacDonald, CEO, commented:"We are pleased to report our best results and highest level of adjusted EBITDA for four years. The business performed well in the first half of 2024 as we continue to build a better-quality and de-risked order book, returning the business to sustained profitability. We have strengthened our platform for consistent growth by divesting the SIL business, which also supports our focus on efficient capital allocation. Our offshore wind business returned to making a material contribution to Group profitability in the first half, and we continue to benefit from the consistent profit generation of our Pipeshield business. Overall, these results demonstrate we now have a stronger platform to drive near-term growth and accelerate growth through targeted and potentially transformational M&A."

Notes:

(1) Adjusted EBITDA is a key metric used by the Directors. Earnings before interest, tax, depreciation and amortisation are adjusted for material items of a one-off nature and significant items which allow comparable business performance. Details of the adjustments can be found in the adjusted EBITDA section below. Adjusted EBITDA might not be comparable to other companies.
(2) Net cash is defined as total cash held by the Group less bank borrowings
(3) Order Book is defined as signed and committed contracts with clients.
(4) Order Intake is the value of contracts awarded in the Period, regardless of revenue timing.
(5) Order Book and order Intake include Subsea Innovation Limited for current year and comparative periods.
Revenue, Gross Margin and Adjusted EBITDA exclude Subsea Innovation Limited for HY24 as held as a discontinued operation. Comparative figures exclude Subsea Innovation Limited figures.

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About Tekmar Group plc

Tekmar Group plc (AIM:TGP) collaborates with its partners to deliver robust and sustainable engineering led solutions that enable the world's energy transition.

Through our Offshore Energy and Marine Civils Divisions we provide a range of engineering services and technologies to support and protect offshore wind farms and other offshore energy assets and marine infrastructure. With near 40 years of experience, we optimise and de-risk projects, solve customer's engineering challenges, improve safety and lower project costs. Our capabilities include geotechnical design and analysis, simulation and engineering analysis, subsea protection technology and subsea stability technology.

We have a clear strategy focused on strengthening Tekmar's value proposition as an engineering solutions-led business which offers integrated and differentiated technology, services and products to our global customer base.

Headquartered in Newton Aycliffe, UK, Tekmar Group has an extensive global reach with offices, manufacturing facilities, strategic supply partnerships and representation in 18 locations across Europe, Africa, the Middle East, Asia Pacific and North America.

For more information visit: www.tekmargroup.co.uk.
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INTERIM REPORT FOR THE 6 MONTHS TO 31 MARCH 2024

CEO overview

The business performed well in the first half of the 2024 financial year, delivering encouraging results in line with our plan. This reflects the hard work of the Tekmar team as we continue to focus on our key priorities to strengthen the core business and underpin significant future growth.

Review of near-term priorities

(1) Return to Sustained EBITDA Growth

Adjusted EBITDA of £1.8m represents the highest level of trading profit for a six-month period delivered by the Group in four years. The level of profitability also reflects significant improvement with £5.4m of gross profit reflecting an achieved gross margin of 33% for the Period, the first time since 2019 that the Group has achieved this level of gross margin. Adjusted EBITDA margin of 11% for the first six months is an important marker in the Group restoring sustainable mid-teen EBITDA margins, which is a key pillar of our strategic plan. The delivery of that target requires greater volume to be addressable in the market but there are encouraging signs that the market environment is improving, albeit steadily.

The table below shows the profitability profile (at Adj. EBITDA level) of the Group over recent interim periods. The 6 month periods ending Mar-24, Sep-23 and Mar-23 have been amended to exclude the results of Subsea Innovation Limited as this is reported as a discontinued operation:

	6m Mar-24	6m Sep-23	6m Mar-23	6m Sep-22	6m Mar-22	6m Sep-21	6m Mar-21	6m Sep-20	6m Mar-20
Revenue (£m)	16.2	19.7	15.9	17.2	13.0	17.9	13.9	15.2	23.8
Gross margin (%)	33%	20%	28%	24%	22%	16%	26%	31%	28%
Adj. EBITDA (£m)	1.8	0.0	0.6	(0.3)	(1.8)	(1.8)	(1.1)	0.8	2.7
Adj. EBITDA margin (%)	11.1%	0.0%	3.8%	(1.7%)	(13.8%)	(10.1%)	(7.9%)	5.3%	11.3%

We highlighted in our last set of annual results announced in March 2024, the importance of consistent profit generation across both our divisions - Marine Civils and Offshore Energy. The performance of Offshore Energy has lagged behind Marine Civils over recent periods. This Period has seen a consistent contribution from both divisions, with Offshore Energy and Marine Civils contributing £1.4m and £1.5m respectively to the Group's Adjusted EBITDA.

We are encouraged by the improved trading performance of the Group in the Period as highlighted by the above table and by the return to profitability of the Offshore Energy division. When we then overlay the consistent performance of our Marine Civils division with the positive medium to long term fundamentals of the offshore wind industry, we believe Tekmar is well positioned to deliver sustainable EBITDA growth for shareholders through the current industry cycle and beyond.

(2) Building a better-quality pipeline and order book

We are encouraged by the strength of our enquiry book and continue to see improvement to the supply chain pricing to more acceptable margin levels and larger volumes of enquiries in the market converting into orders. We highlighted in our March 2024 results announcement that we are seeing the effects of legacy contracts on margin diminishing in the order book and we continue to see our backlog replaced with higher margin, lower risk projects. This is supported by order intake of £23.7m in the financial year to date with a blended gross margin of 31%. We caveat this positive outlook by highlighting that delays to project commissioning and commencement continues to be a feature across the industry and this constrains our ability to predict with confidence the outturn for nearer-term financial periods. Overall though we continue to characterise the current market environment as steady with incremental improvement ahead of accelerated growth as the industry positions itself to meet the anticipated global buildout to meet 2030 net-zero commitments.

(3) Cash flow and liquidity

We remain focused on a disciplined approach to cash, working capital management and improved cash generation. Cash used in operations in the first half of £1.0m reflects short-term working capital requirements which are expected to unwind over the course of the year. As a management team we maintain a major focus on debtor collections and on overall liquidity and working capital support. We are currently in active discussions with our relationship bank relating to the renewal of our existing trade and CBILs facilities, with these discussions progressing in line with planned timeframes for renewal in 2024.

(4) Strengthening the business

The Disposal of Subsea Innovation Limited and targeted investment and capex

On 2 May 2024 we announced the disposal of SIL to Unique Group ("Unique") for an aggregate cash consideration of £1.9m. This was a strategic acquisition of a business servicing predominantly oil and gas customers with the potential to transition to servicing offshore wind energy projects over time. Under Tekmar's ownership, the business demonstrated this transition to servicing offshore wind energy projects over time. Under Tekmar's ownership, the business demonstrated this potential, however the nature of projects undertaken highlighted a lumpiness of revenue and relative lack of pipeline visibility. The business had also struggled to deliver consistent profitability with SIL reporting an Adjusted EBITDA loss of £1.4m for FY23, the latest audited period prior to announcing the Transaction. We were pleased to have reached agreement with Unique, which sees 38 employees transfer with SIL to new ownership which can invest in the business to realise its potential.

In terms of the financial effects of the Transaction on the Tekmar Group

- Innovation House, the premises in Darlington currently occupied by SIL (the "Property"), is being retained by the Group on Completion. The Property was valued at £2.8 million as at the latest audited financial statements to 30 September 2023. The Group has agreed for the Purchaser to use the Property on a rent-free basis for a 12-month period following Completion, with the option for both parties to enter into a lease agreement after the rent-free period. Ownership of the property gives the Group optionality for future Group refinancing.
- The consideration value comprises an initial cash payment of £27,000, a cash payment of £1.4 million relating to a trade receivable, payable post-Completion, and a further cash payment of £549,000 payable 12 months post-Completion.
- These proceeds, net of costs, will be available to support the Group's disciplined investment programme to drive near-term growth and for general working capital purposes.
- The effect of the disposal on the ongoing Group is expected to be broadly EBITDA neutral for FY24.
- The disposal also mitigates potential near-term cash requirements which were being considered to support operational efficiency changes and working capital requirements in the business.

We highlighted in our 2023 Full Year results that we will continue to look for opportunities to further strengthen the business through more efficient resource allocation. The disposal of SIL is consistent with this approach, with the Group now benefiting from a more streamlined portfolio of products, services and technology that addresses the needs of the offshore wind industry and broader energy markets. We will continue to allocate capital to the ongoing Group in a disciplined way, aligning our resources to opportunities which provide the greatest near-term benefits and growth opportunities.

We expect capex for the current financial year to be in the region of £2m, with approximately half of that covered by investment in strategic initiatives including product development for our core Teklink cable protection system and investment in our grouting services in support of near-term revenue growth with Pipeshield including in the Middle East. We have identified a number of other strategic investment opportunities, with funding of these initiatives subject to phasing as cashflow builds to support the required investment.

M&A to strengthen and broaden the portfolio

With the path to profitability established and the core platform streamlined with the disposal of SIL, we are pursuing M&A opportunities to complement organic growth, including opportunities to build scale and strengthen the technology and services we offer to our customers. The ambition is to build a leading global offshore wind services company over time, and consistent with this, we are alert to the potential value in acquiring capability that can transition to servicing the needs of the offshore wind industry over time. Building a stronger platform should, in turn, create a business which the stock market can value more highly.

We benefit significantly in this M&A context from having SCF as a strategic partner, where we can leverage their complementary industry knowledge and investment expertise to help source and execute value-enhancing acquisitions. We also benefit from SCF's committed £18m funding through the Convertible Loan Notes, which are targeted to be deployed primarily for value-enhancing M&A and strategic growth. Having this committed funding in place puts Tekmar at a distinct advantage, particularly given the current financing environment for M&A.

Market overview

The Offshore Wind market continues to strengthen as energy markets are aligned to the commitment of the United Nation's global coalition for net-zero emissions by 2050. Most notably:

- Global capacity is forecast to reach over 261GW (installed or underway) by 2030, from a commissioned capacity of 70GW today, with current visibility of over 300 projects. [1]
- A peak in buildout is expected in Europe around 2030 as governments ramp up expansion targets, which has been influenced by the fall out of the invasion of Ukraine and energy crisis. Tekmar has a strong track record in this region and is well-positioned to benefit from future growth.
- Asia Pacific to adopt proven European technology to meet ambitious timeframes as they look to move from 2.8GW fully commissioned to 91GW by 2040. Tekmar already has a presence in Asia and has been awarded multiple contracts for

countries' first commercial wind farms in the region, demonstrating a strong track record.

- The global operation and maintenance (O&M) market continues to scale up and is now valued at nearly £26bn per year by 2035, offering significant growth potential for the Group. (1)
- The emerging floating wind market outlook is now at 31GW installed or underway by 2035, rising dramatically in the second half of the 2030s.

Adjacent offshore energy markets are strengthening due to renewed investment in offshore energy markets given the importance of energy security.

Alasdair MacDonald

CEO
15 May 2024

Sources:
(1) 4C Offshore, Offshore Wind Farms Project Opportunity Pipeline Database, Version Q1 2024

CFO Review

A summary of the Group's financial performance is as follows:

	6M ending Mar-24 Unaudited £m	6M ending Mar-23 Unaudited £m	12M ending Sep-23 Unaudited £m
Revenue	**16.2**	15.9	35.6
Gross Profit	**5.4**	4.4	8.3
Adjusted EBITDA(1)	**1.8**	0.6	0.6
(LBT)	**(0.4)**	(1.2)	(8.5)
EPS	**(0.55p)**	(2.87p)	(10.70p)
Adjusted EPS(2)	**(0.06p)**	(1.74p)	(4.50p)

Figures for HY24 exclude Subsea Innovation Limited as treated as discontinued operation. Comparative information has been adjusted to treat Subsea innovation as a discontinued operation.

(1) Adjusted EBITDA is a key metric used by the Directors. Earnings before interest, tax, depreciation and amortisation are adjusted for material items of a one-off nature and significant items which allow comparable business performance. Details of the adjustments can be found in the adjusted EBITDA section below. Adjusted EBITDA might not be comparable to other companies.

(2) Adjusted EPS is a key metric used by the Directors and measures earnings after adjusting for material items of a one-off nature and significant items which allow comparable business performance. Earnings for EPS calculation are adjusted for share based payments (£nil HY24, £nil HY23, £0.5m FY23), amortisation on acquired intangibles (£0.1m HY24, £0.1m HY23, £0.1m FY23).

On a statutory basis Group loss before tax was £0.4m (HY23: £1.2m loss).

Overview

The results for the 6 months to 31 March 2024 reflect the results of the business turnaround which has been in progress over recent years and the journey back to sustained profitability. The Group reported revenue for the 6-month period to March 2024 of £16.2m, broadly similar to the £15.9m revenue reported for the 6 months to 31 March 2023. The continued work to improve the business on a number of fronts including commercial management, technical discipline, strong project execution and supply chain management has resulted in a continued gross profit margin per cent improvement from 28% for the 6-months to 31 March 2023 to 33% for the 6-months to 31 March 2024.

An adjusted EBITDA profit of £1.8m is reported for the 6-months to 31 March 2024, in comparison, the period to the 6-months to 31 March 2023 reported an adjusted EBITDA profit of £0.6m, providing a positive variance of £1.2m. The adjusted EBITDA profit of £1.8m is enhanced by £0.2m due to accounting for the Subsea Innovation disposal as a discontinued operation, as this business unit incurred a £0.2m EBITDA loss for HY24 (EBITDA loss £0.4m HY23).

Revenue

Revenue by Division			
£m	6M Mar24	6M Mar23	12M Sep23
Offshore	9.8	8.9	17.3

Revenue by market			
£m	6M Mar24	6M Mar23	12M Sep23
Offshore	11.3	7.8	17.7

Offshore Energy	9.8	8.9	17.3		Offshore Wind	11.3	7.8	17.7
Marine Civils	6.4	7.0	18.3		Other Offshore	4.9	8.1	17.9
Total	16.2	15.9	35.6		Total	16.2	15.9	35.6

Figures for HY 24 exclude Subsea Innovation Limited as treated as discontinued operation. Comparative information has been adjusted to treat Subsea innovation as a discontinued operation.

Offshore Energy, incorporating Tekmar Energy, AgileTek and Ryder Geotechnical, all of which operate largely as a single unit, reported revenue of £9.8m in the 6-month period to 31 March 2024 compared with £8.9m for the 6-month period to 31 March 2023. The revenue of £9.8m reported for HY24 has been adjusted down by £3.3m relating to the disposal of Subsea Innovation which is reported as a discontinued operation (HY23 adjusted down by £1.8m.

The Marine Civils division delivered revenue of £6.4m for the 6-month period to 31 March 2024. This is broadly similar to the £7.0m for the comparative 6-month period to 31 March 2023 but materially lower than the £11.3m of revenue delivered by this division in H2 23. We flagged in our FY23 results announcement in March that the H2 23 run-rate for this division reflected a very strong period and may not be a reasonable read-across for expectations for FY 24. The pipeline for this division and our Pipeshield business remains strong and pending timing of order book conversion there is opportunity to achieve second half revenue materially ahead of the first half.

Gross profit

Gross profit by Division					Gross Profit by market			
£m	6M Mar24	6M Mar23	12M Sep23		£m	6M Mar24	6M Mar23	12M Sep23
Offshore Energy	2.9	2.0	3.0		Offshore Wind	2.9	2.5	4.8
Marine Civils	2.5	2.4	5.3		Other Offshore	3.7	2.7	5.1
Unallocated costs	-	-	-		Unallocated costs	(1.2)	(0.8)	(1.6)
Total	5.4	4.4	8.3		Total	5.4	4.4	8.3

Figures for HY 24 exclude Subsea Innovation Limited as treated as discontinued operation. Comparative information has been adjusted to treat Subsea Innovation as a discontinued operation.

Gross profit margin for the Group increased from 28% (HY23) to 33% (HY24) with margin improvement across both divisions.

Marine Civils division gross profit margin increased from 34% (HY23) to 39% (HY24) despite the lower revenue in the 6-month period to 31 March 2024 compared to the prior year 6-month period to 31 March 2023. This was achieved by strong operational delivery particularly around variation orders where project scope change has been encountered.

Within Offshore Energy, gross profit margin also improved, increasing from 22% in HY23 to 30% in HY24. A number of factors, as a result of our business improvement plans, have played a key part in the turnaround of this division, including robust commercial management, strong project execution and supply chain initiatives. The Board is encouraged with the performance improvement in this division which is a key element of the Group's overall success in delivering sustained profit growth. The lower margin backlog work has declined to a low level and the performance improvement delivered year to date provides management with confidence in the achievement of the anticipated backlog gross margins.

Operating expenses

Operating expenses for the 6-month period to 31 March 2024 were £5.4m (HY23: £5.5m). Operating expenses are broadly in line with the 6-month period to 31 March 2023, through continued careful management of the cost base, despite further wage cost inflation.

Adjusted EBITDA

Adjusted EBITDA is a primary measure used across the business to provide a consistent measure of trading performance. The adjustment to EBITDA removes certain non-cash and exceptional items to provide a key metric to the users of the financial information that is reflective of the performance of the business resulting from movements in revenue, gross margin and the cash costs of the business. The Board reviews all exceptional items to ensure resulting Adjusted EBITDA achieves this. For the 6-month period ended 31 March 2024 and the comparable 6-month period to 31 March 2023, the adjustment includes depreciation, amortisation and foreign currency losses.

Improvements in EBITDA are as a result of the improved gross margin in the period, as highlighted above.

The below table shows the adjustments that have been made to calculate Adjusted EBITDA.

EBITDA Reconciliation (£m)	6 Months Mar-24	6 months Mar-23	12 months Sep-23
Reported operating (loss)/profit	(0.0)	(1.1)	(7.9)
Amortisation of intangible assets	0.1	0.1	0.1
Amortisation of other intangible assets	0.2	0.3	0.5
Depreciation on tangible assets	0.5	0.2	0.7
Depreciation on ROU assets	0.2	0.3	0.5
EBITDA	1.0	(0.2)	(6.1)
Adjusted items:			
Share Based Payments	-	-	0.5
Impairment of goodwill	-	-	4.7
Exceptional items - Bonus	-	-	0.3
Foreign exchange losses & gains	0.8	0.8	0.9
Restructuring costs	-	-	0.3
Adjusted EBITDA	1.8	0.6	0.6

Figures for HY 24 exclude Subsea Innovation Limited as treated as discontinued operation. Comparative information has been adjusted to treat Subsea innovation as a discontinued operation.

The £1.8m Adjusted EBITDA profit for the 6 months ended 31 March 2024 was an improvement of £1.2m when compared to the £0.6m Adjusted EBITDA profit for the 6 months to March 2023 and is a result of the increased gross profit as above. Both Offshore Energy and Marine Civils divisions contributed £1.4m and £1.5m respectively to the Group's Adjusted EBITDA, highlighting the benefits of Tekmar's balanced portfolio across energy markets.

Adjusted EBITDA by 6-month period (Unaudited)							
£m	6m	6m	6m	6m	6m	6m	6m
	Mar-24	Sep-23	Mar-23	Sep-22	Mar-22	Sep-21	Mar-21
Revenue	16.2	19.7	15.9	17.2	13.0	17.9	13.9
Adjusted EBITDA	1.8	0.0	0.6	(0.3)	(1.8)	(1.8)	(1.1)

Figures for HY 24 exclude Subsea Innovation Limited as treated as discontinued operation. Comparative information for Sep-23 and Mar-23 has been adjusted to treat Subsea innovation as a discontinued operation.

Although HY24 reports a reduced revenue of £3.5m versus the prior 6-month period, adjusted EBITDA was £1.8m higher due to the gross margin improvements in HY24 and noting H2 23 included two Offshore Energy backlog projects at lower margins, as was highlighted in the Group's FY 23 results announcement in March 2024.

Adjusted EBITDA by division £m			
£m	6M Mar24	6M Mar23	12M Sep23
Offshore Energy	1.4	(0.3)	(1.2)
Marine Civils	1.5	1.5	3.6
Group costs	(1.1)	(0.6)	(1.8)
Total	1.8	0.6	0.6

Figures for HY 24 exclude Subsea Innovation Limited as treated as discontinued operation. Comparative information for Sep-23 and Mar-23 has been adjusted to treat Subsea innovation as a discontinued operation.

Overall, the above table highlights the positive impact on Group profitability with the return to profitability of the Offshore Energy division. This has contributed to the Group delivering an Adjusted EBITDA margin of 11% for the Period.

Profit

The result after tax is a loss of £0.7m (HY23: Loss £1.8m, FY23: Loss £10.1m). The improvement versus the 6-month comparator is due to the gross margin improvement as set out above.

Balance Sheet

Balance Sheet			
£m	Mar24	Mar23	Sep23
Fixed Assets	6.7	6.3	6.5

Fixed Assets	0.7	0.5	0.5
Intangible assets	18.9	23.9	18.9
Inventory	3.2	5.4	2.0
Trade & other receivables	15.1	16.5	17.2
Assets held for sale	5.0	3.2	5.0
Cash	2.7	3.8	3.5
Current Liabilities	(13.5)	(18.4)	(15.6)
Liabilities held for sale	(2.8)	(2.1)	(1.8)
Non-current liabilities	(1.4)	(1.4)	(1.1)
Equity	(33.9)	(37.2)	(34.6)

Fixed Assets

Fixed asset investments have remained largely in line with depreciation levels. There were no other major capital spends in the period.

Intangible assets

Goodwill of £17.6m (HY23 £22.2m) includes goodwill arising on the original management buy-out of subsidiaries since 2011. Of the balance £15.0m (HY23: £19.6m) relates to the Offshore Energy division and £2.6m (HY23: £2.6m) relates to the Marine Civils division. During HY24 the Group purchased the minority interest in Ryder Geotechnical Limited for £150,000.

In FY23 the annual impairment review of the goodwill on the balance sheet has resulted in an impairment charge of £4.6m which related to the offshore energy division. As detailed in the P&L commentary of the annual statutory accounts, this was predominantly due to a substantial increase in the Group's weighted average cost of capital (WACC) which has increased from 13.5% in FY22 to 15.5% in FY23 due to changes in economic conditions and especially increases in interest rates. No further impairment is considered necessary in HY24.

Inventory

Inventory on the balance sheet is £3.2m and has reduced by £2.2m to a more normalised level having been higher at HY23 due to an increase in work-in-progress in Pipeshield relating to the mobilisation of two large Middle East contracts awarded in HY23.

Trade and other receivables

Trade and other receivables are £15.1m after adjusting out for the Subsea Innovation disposal (HY23: £15.6m).

Within the above, trade receivables balance was £10.0m for the 6-months to 31 March 2024 (HY23 £10.8m). Collections are generally well managed, however, delays in payments from the Middle East and China continue to persist.

Contract assets has decreased to £2.9m (HY23: £4.5m). The reduction is due to operating contracts in HY23 with more favourable invoicing milestones than in previous periods.

Cash

Cash balance at the period end to 31 March 2024 was £2.7m offset by bank borrowings of £6.3m resulting in net debt of £3.6m.

Cash used in operations in the first half of the year was £1.0m, much reduced from the £3.8m in HY23. We continue to manage our debtor days carefully and have payment plans in place for the more aged debt.

Current liabilities

Current liabilities, excluding liabilities held for sale, reduced to £13.5m (HY23: £18.4m), with £4.3m of this reduction relating to reduced deferred revenue due to timing of customer milestones on projects.

Within the £13.5m in HY24 is £3.0m of CBILs loan consistent with HY23 reporting. The trade loan borrowings also included in current liabilities was £3.3m as at 31 March 2024 compared to £4.0m at 31 March 2023. The trade loan remains a flexible facility of £4.0m available for ongoing working capital.

The annual renewal of the banking facilities is currently underway with our relationship bank.

Other Non-current liabilities

Other Non-current liabilities of £1.4m (HY23: £1.4m) relate to lease liabilities in relation to IFRS16 and deferred tax liability.

Leanne Wilkinson

CFO

15 May 2024

Consolidated statement of comprehensive income
for the 6M period ended 31 March 2024

	Note	6M ended 31 Mar 2024 Unaudited	6M ended 31 Mar 2023 Unaudited	12M ended 30 Sep 2023 Unaudited
		£000	£000	£000
Revenue	3	16,211	15,910	35,633
Cost of sales		(10,819)	(11,530)	(27,319)
Gross profit		5,392	4,380	8,314
Administrative expenses		(5,413)	(5,498)	(16,258)
Other operating income		7	17	18
Group operating (loss)		(14)	(1,101)	(7,926)
Analysed as:				
Adjusted EBITDA[1]		1,776	607	569
Depreciation		(653)	(603)	(1,172)
Amortisation		(336)	(322)	(586)
Exceptional share based payments charges		-	-	(500)
Impairment of goodwill		-	-	(4,745)
Exceptional bonus payments		-	-	(296)
Foreign exchange (losses)/gains		(801)	(783)	(928)
Restructuring costs		-	-	(268)
Group operating (Loss)		(14)	(1,101)	(7,926)
Finance costs		(351)	(92)	(627)
Finance income		7	2	4
Net finance costs		(344)	(90)	(623)
(Loss) before taxation		(358)	(1,191)	(8,549)
Taxation		-	11	(201)
(Loss) for the period from continuing operations		(358)	(1,180)	(8,750)
Loss for the year from discontinued operations (including held for sale)	10	(386)	(572)	(1,374)
Loss for the year		(744)	(1,752)	(10,124)
Equity-settle share-based payments		-	(5)	548
Revaluation of property		71	-	-
Retranslation of overseas subsidiaries		(99)	(218)	(281)
Total comprehensive income for the period		(772)	(1,975)	(9,857)
Loss attributable to owners of the parent		(744)	(1,752)	(10,124)
Total Comprehensive income attributable to owners of the parent		(772)	(1,975)	(9,857)
(Loss) per share (pence)				
Basic	4	(0.55)	(2.87)	(10.69)
Diluted	4	(0.55)	(2.87)	(10.69)
Basic loss per share (pence)				
From continuing operations	4	(0.26)	(1.94)	(9.24)
From discontinued operations	4	(0.28)	(0.94)	(1.45)

1: Adjusted EBITDA, which is defined as profit before net finance costs, tax, depreciation, amortisation, share based payments charge in relation to one-off awards, material items of a one-off nature and significant items which allow comparable business performance is a non-GAAP metric used by management and is not an IFRS disclosure.

Consolidated balance sheet
as at 31 March 2024

	Note	31 Mar 2024 Unaudited	31 Mar 2023 Unaudited	30 Sep 2023 Unaudited
		£000	£000	£000
Non-current assets				
Property, plant and equipment		6,670	6,263	6,510
Goodwill and other intangibles	5	18,923	23,932	18,946
Total non-current assets		25,593	30,195	25,456
Current assets				
Inventory		3,202	5,374	2,042

Trade and other receivables	6	15,134	16,552	17,182
Cash and cash equivalents		2,662	3,829	5,028
		20,998	25,755	24,252
Assets held for sale	10	4,990	3,176	3,547
Total current assets		25,988	28,931	27,799
Total assets		51,581	59,126	53,255
Equity and liabilities				
Share capital		1,360	609	1,360
Share premium		72,202	67,653	72,202
Merger relief reserve		1,738	1,738	1,738
Merger reserve		(12,685)	(12,685)	(12,685)
Foreign currency translation reserve		(207)	(45)	(108)
Retained losses		(28,527)	(20,035)	(27,854)
Total equity		33,881	37,235	34,653
Non-current liabilities				
Other interest-bearing loans and borrowings	7	719	911	795
Trade and other payables		-	-	-
Deferred tax liability		686	482	300
Total non-current liabilities		1,405	1,393	1,095
Current liabilities				
Other interest-bearing loans and borrowings	7	6,616	7,246	6,995
Trade and other payables		6,661	11,084	8,191
Corporation tax payable		29	28	28
Provisions	8	210	-	356
		13,516	18,358	15,570
Liabilities held for sale	10	2,779	2,140	1,937
Total current liabilities		16,295	20,498	17,507
Total liabilities		17,700	21,891	18,602
Total equity and liabilities		51,581	59,126	53,255

Consolidated statement of changes in equity
for the 6M period ended 31 March 2024

	Share capital	Share premium	Merger relief reserve	Merger reserve	Foreign currency translation reserve	Retained earnings	Total equity attributable to owners of the parent	**Total equity**
	£000	£000	£000	£000	£000	£000	£000	**£000**
Balance at 1 October 2022	**609**	**67,653**	**1,738**	**(12,685)**	**173**	**(18,278)**	**39,210**	**39,210**
(Loss) for the Period	-	-	-	-	-	(1,752)	(1,752)	**(1,752)**
Share based payments	-	-	-	-	-	(5)	(5)	**(5)**
Exchange difference on translation of overseas subsidiary	-	-	-	-	(218)	-	(218)	**(218)**
Total comprehensive income for the year	-	-	-	-	(218)	(1,757)	(1,975)	**(1,975)**
Balance at 31 March 2023	**609**	**67,653**	**1,738**	**(12,685)**	**(45)**	**(20,035)**	**37,235**	**37,235**
(Loss) for the Period	-	-	-	-	-	(8,372)	(8,372)	**(8,372)**
Share based payments	-	-	-	-	-	553	553	**553**
Exchange difference on translation of overseas subsidiary	-	-	-	-	(63)	-	(63)	**(63)**
Total comprehensive income for the year	-	-	-	-	(63)	(7,819)	(7882)	**(7882)**
Issue of shares	751	4,549	-	-	-	-	5,300	**5,300**
Total transactions with owners, recognised directly in equity	**751**	**4,549**	**-**	**-**	**-**	**-**	**5,300**	**5,300**
Balance at 30 September 2023	**1,360**	**72,202**	**1,738**	**(12,685)**	**(108)**	**(27,854)**	**34,653**	**34,653**
(Loss) for the Period	-	-	-	-	-	(744)	(744)	**(744)**
Revaluation of property	-	-	-	-	-	71	71	**71**
Exchange difference on translation of overseas subsidiary	-	-	-	-	(99)	-	(99)	**(99)**
Total comprehensive income for the year	-	-	-	-	(99)	(673)	(772)	**(772)**
Balance at 31 March 2024	**1,360**	**72,202**	**1,738**	**(12,685)**	**(207)**	**(28,527)**	**33,881**	**33,881**

Consolidated cash flow statement
for the 6M period ended 31 March 2023

6M ended 31 March 2024	6M ended 31 March 2023	12M ended 30 Sep 2023

	31 March 2024 Unaudited	31 March 2023 Unaudited	30 Sep 2023 Unaudited
	£000	£000	£000
Cash flows from operating activities			
Loss before taxation	(744)	(1,763)	(9,923)
Adjustments for:			
Depreciation	653	603	1,172
Amortisation of intangible assets	336	322	586
Profit on disposal of fixed assets	-	(99)	-
Share based payments charge	-	-	537
Impairment of goodwill	-	-	4,745
Finance costs	351	99	552
Finance income	(7)	(2)	(4)
	589	(840)	(2,335)
Changes in working capital:			
(Increase) / decrease in inventories	(1,075)	(945)	2,496
Decrease / (increase) in trade and other receivables	277	(5,322)	(6,028)
(Decrease) / increase in trade and other payables	(313)	3,316	(272)
(Decrease) / increase in provisions	(255)	-	465
Cash (used) from operations	(777)	(3,791)	(5,674)
Tax (paid) / recovered	(208)	11	-
Net cash (outflow) from operating activities	(985)	(3,780)	(5,674)
Cash flows from investing activities			
Purchase of property, plant and equipment	(426)	(331)	(1,012)
Purchase of intangible assets	(62)	(294)	(310)
Proceeds from sale of property, plant and equipment	-	99	29
Acquisition of subsidiary minority interest	(150)	-	-
Interest received	7	2	4
Net cash (outflow) from investing activities	(631)	(524)	(1,289)
Cash flows from financing activities			
Facility drawdown	6,016	5,500	11,526
Facility repayment	(6,278)	(5,490)	(11,941)
Repayment of borrowings under lease obligations	(265)	(195)	(414)
Shares issued	-	-	5,300
Interest paid	(315)	(93)	(505)
Net cash inflow / (outflow) from financing activities	(842)	(278)	3,966
Net (decrease) in cash and cash equivalents	(2,458)	(4,582)	(2,997)
Cash and cash equivalents at beginning of year	5,219	8,496	8,496
Effect of foreign exchange rate changes	(99)	(218)	(280)
Cash and cash equivalents at end of year	2,662	3,696	5,219

Notes

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, 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 stability and protection technology, including associated subsea engineering services, operating across the global offshore energy markets, predominantly Offshore Wind.

Forward looking statements

Certain statements in this interim report 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 those expressed or implied by these forward-looking statements.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's principal accounting policies have been applied consistently to all of the periods presented, with the exception of the new standards applied for the first time as set out in paragraph (c) below where applicable.

(a) Basis of preparation

The unaudited consolidated interim financial information has been prepared under the historical cost convention and in accordance with the recognition and measurement requirements of UK-adopted international accounting standards ("IFRS"). The condensed consolidated interim financial information does not constitute financial statements within the meaning of Section 434 of the Companies Act 2006 and does not include all of the information and disclosures required for full annual financial statements. It should therefore be read in conjunction with the Group's Annual Report for the period ended 30 September 2023, which has been prepared in accordance with IFRSs and is available on the Group's investor website.

As permitted, this interim report has been prepared in accordance with the AIM rules and not in accordance with IAS 34 "Interim financial reporting".

The accounting policies used in the financial information are consistent with those used in the Group's consolidated financial statements as at and for the period ended 30 September 2023, as detailed on pages 88 to 93 of the Group's Annual Report and Financial Statements for the period ended 30 September 2023, a copy of which is available on the Group's website, www.tekmargroup.com.

The comparative financial information contained in the condensed consolidated financial information in respect of the period ended 30 September 2023 has been extracted from the 2023 Financial Statements, this information has been restated to show the impact of discontinued operations. Those financial statements have been reported on by Grant Thornton UK LLP and delivered to the Registrar of Companies. The report was unqualified and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006. The report did include a reference to a material uncertainty in relation to going concern which the auditor drew attention to by way of emphasis without qualifying their report.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at the period ended 30 September 2023.

The preparation of the condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Estimates and judgements are continually evaluated and are based on historical experience and other factors, such as expectations of future events and are believed to be reasonable under the circumstances. Actual results may differ from these estimates. In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements for the period ended 30 September 2023.

(b) Going concern

The Group meets its day-to-day working capital requirements through its available banking facilities which includes a CBILs loan of £3.0m currently available to 31 October 2024 and a trade loan facility of up to £4.0m that can be drawn against supplier payments, currently available to 31 July 2024. The latter is provided with support from UKEF due to the nature of the business activities both in renewable energies and in driving growth through export lead opportunities. The Group held £5.2m of cash at 30 September 2023 including draw down of the £3.0m CBILS loan and a further £3.6m of the trade loan facility. There are no financial covenants that the Group must adhere to in either of the bank facilities.

The Directors have prepared cash flow forecasts to 30 September 2025. The base case forecasts include assumptions for annual revenue growth supported by current order book, known tender pipeline, and by publicly available market predictions for the sector. The forecasts also assume a retention of the costs base of the business with increases of 5% on salaries and a cautious recovery of gross margin on contracts. These forecasts show that the Group is expected to have a sufficient level of financial resources available to continue to operate on the assumption that the two facilities described are renewed. Within the base case model management have not modelled anything in relation to the matter set out in note 9 Contingent Liabilities, as management have assessed there to be no present obligation.

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

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

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

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

(c) New standards, amendments and interpretations

There have been no new accounting standards or changes to existing accounting standards applied for the first time from 1 October 2023 which have a material effect on these interim results. The Group has chosen not to early adopt any new standards or amendments to existing standards or interpretations.

(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) 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 net finance costs, tax, depreciation and amortisation. Material items of a one-off nature or of such significance they are considered relevant to the user of the financial statements and share based payment charge in relation to one-off awards are excluded.

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.

3. REVENUE AND SEGMENTAL REPORTING

Management has determined the operating segments based upon the information provided to the executive Directors which is considered the chief operating decision maker. The Group is managed and reports internally by business division and markets.

Major customers

In the period ended 31 March 2024 there was one major customer within the Marine Civils segment, and one major customer in the Offshore Energy segment that individually accounted for at least 10% of total revenues (2023 6M: two customers). The revenues relating to these in the period to 31 March 2024 were £7,017,000 (2023 6M: £7,253,000). Included within this is revenue from multiple projects with different entities within each customer.

Analysis of revenue by region	6M ending 31 Mar 2024 Unaudited	6M ending 31 Mar 2023 Unaudited	12M ending 30 Sep 2023 Unaudited
	£000	£000	£000
UK & Ireland	2,018	4,382	7,683
Germany	82	721	1,133
Italy	101	-	-
Belgium	130	-	-
Netherlands	-	57	-
Norway	-	25	-
Turkey	-	-	983
Other Europe	161	326	1,152
China	21	1,491	1,676
USA & Canada	203	1,129	3,006
Japan	43	1,034	1,083
South Korea	539	-	-
Philippines	-	134	1,157
Qatar	1,923	4,108	8,036
Taiwan	4,806	-	-
Egypt	5	-	-
UAE	334	-	-
KSA	4,892	1,665	6,888
Other Middle East	-	401	904
Trinidad & Tobago		274	-
Africa	658	-	-
Rest of the World	295	163	1,932
	16,211	15,910	35,633

Analysis of revenue by market	Mar-24 Unaudited	Mar-23 Unaudited	Sep-23 Unaudited
	£000	£000	£000
Offshore Wind	11,293	7,812	17,659
Other offshore	4,918	8,098	17,974
	16,211	15,910	35,633

Analysis of revenue by product category	Mar-24 Unaudited	Mar-23 Unaudited	Sep-23 Unaudited
	£000	£000	£000
Offshore Energy protection systems & equipment	9,284	7,965	15,844
Marine Civils	6,375	7,064	18,320
Engineering consultancy services	552	881	1,469
	16,211	15,910	35,633

Profit and cash are measured by division and the Board reviews this on the following basis.

	Offshore Energy Mar-24 Unaudited	Marine Civils Mar-24 Unaudited	Group/ Eliminations Unaudited	Total Mar-24 Unaudited
	£000	£000	£000	£000
Revenue	**9,836**	**6,375**	**-**	**16,211**
Gross profit	2,889	2,503	-	5,392
% Gross profit	29%	39%	-	33%
Operating (loss)/ profit	479	628	(1,121)	(14)
Analysed as:				
Adjusted EBITDA	**1,358**	**1,467**	**(1,049)**	**1,776**
Depreciation	(469)	(178)	(6)	(653)
Amortisation	(272)	-	(64)	(336)
Foreign exchange losses	(138)	(661)	(2)	(801)
Operating (loss)/ profit	479	628	(1,121)	(14)

Interest & similar expenses	(25)	-	(319)	(344)
Tax	-	-	-	-
(Loss) / profit after tax on continuing operations	454	628	(1,440)	(358)

	Offshore Energy Mar-24 Unaudited	Marine Civils Mar-24 Unaudited	Group/ Eliminations Unaudited	Total Mar-24 Unaudited
	£000	£000	£000	£000
Other information				
Reportable segment assets	16,090	11,378	24,113	51,581
Reportable segment liabilities	(6,498)	(3,524)	(7,678)	(17,700)

	Offshore Energy Mar-23 Unaudited	Marine Civils Mar-23 Unaudited	Group/ Eliminations Unaudited	Total Mar-23 Unaudited
	£000	£000	£000	£000
Revenue	**8,846**	**7,064**	**-**	**15,910**
Gross profit	2,021	2,359	-	4,380
% Gross profit	23%	33%	-	28%
Operating (loss)/ profit	(1,381)	982	(702)	(1,101)
Analysed as:				
Adjusted EBITDA	**(318)**	**1,517**	**(592)**	**607**
Depreciation	(454)	(144)	(5)	(603)
Amortisation	(218)	-	(104)	(322)
Foreign exchange losses	(391)	(391)	(1)	(783)
Operating (loss)/ profit	(1,381)	982	(702)	(1,101)
Interest & similar expenses	96	195	(381)	(90)
Tax	1	-	10	11
(Loss) / profit after tax on continuing operations	(1,284)	1,177	(1,073)	(1,180)

	Offshore Energy Mar-23 Unaudited	Marine Civils Mar-23 Unaudited	Group/ Eliminations Unaudited	Total Mar-23 Unaudited
	£000	£000	£000	£000
Other information				
Reportable segment assets	18,493	13,198	27,435	59,126
Reportable segment liabilities	(6,923)	(6,885)	(8,083)	(21,891)

	Offshore Energy Sep-23 Unaudited	Marine Civils Sep-23 Unaudited	Group/ Eliminations Unaudited	Total Sep-23 Unaudited
	£000	£000	£000	£000
Revenue	**17,313**	**18,320**	**-**	**35,633**
Gross profit	2,988	5,326	-	8,314
% Gross profit	17%	29%	-	23%
Operating profit/(loss)	(8,191)	2,798	(2,533)	(7,926)
Analysed as:				
Adjusted EBITDA	**(1,195)**	**3,544**	**(1,780)**	**569**
Depreciation	(862)	(298)	(12)	(1,172)
Amortisation	(418)	-	(168)	(586)

Amortisation	[illegible]		[illegible]	[illegible]
Share based payments	(55)	(82)	(363)	(500)
Impairment of goodwill	(4,745)	-	-	(4,745)
Exceptional bonus payments	(180)	(34)	(82)	(296)
Foreign exchange losses	(675)	(255)	2	(928)
Restructuring costs	(61)	(77)	(130)	(268)
Operating profit/(loss)	(8,191)	2,798	(2,533)	(7,926)
Interest & similar expenses	(44)	(10)	(569)	(623)
Tax	521	(789)	67	(201)
(Loss) / profit after tax on continuing operations	(7,714)	1,999	(3,035)	(8,750)

	Offshore Energy Sep-23 Audited	Marine Civils Sep-23 Audited	Group/ Eliminations Audited	Total Sep-23 Audited
	£000	£000	£000	£000
Other information				
Reportable segment assets	17,391	10,169	25,695	53,255
Reportable segment liabilities	(8,175)	(3,208)	(7,218)	(18,601)

4. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the earnings attributable to equity shareholders by the weighted average number of ordinary shares in issue. Diluted earnings per share are calculated by including the impact of all conditional share awards.

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

	6M ending 31 March 2024 Unaudited	6M ending 31 March 2023 Unaudited	12M ending 30 Sep 2023 Unaudited
Earnings (£'000)			
Earnings for the purposes of basic and diluted earnings per share being profit/(loss) for the year attributable to equity shareholders	(744)	(1,752)	(10,124)
Number of shares			
Weighted average number of shares for the purposes of basic earnings per share	136,072,626	60,960,484	94,694,962
Weighted average dilutive effect of conditional share awards	7,720,039	562,832	4,346,203
Weighted average number of shares for the purposes of diluted earnings per share	143,792,665	61,523,316	99,041,165
Profit per ordinary share (pence)			
Basic profit per ordinary share	(0.55)	(2.87)	(10.69)
Diluted profit per ordinary share	(0.55)	(2.87)	(10.69)
Basic profit per ordinary share (pence)			
From continuing operations	(0.26)	(1.94)	(9.24)
From discontinuing operations	(0.28)	(0.94)	(1.45)

Adjusted earnings per ordinary share (pence)*	**(0.06)**	**(1.74)**	**(4.49)**

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

	Mar-24 Unaudited	Mar-23 Unaudited	Sep-23 Unaudited
	£000	£000	£000
(Loss) for the period attributable to equity shareholders	(744)	(1,752)	(10,124)
Add back:			
Impairment of goodwill	-	-	4,745
Amortisation on acquired intangible assets	64	104	168
Foreign exchange losses	801	784	926
Share based payment on IPO and SIP at Admission	-	-	508
Exceptional bonus costs	-	-	430
Tax effect on above	(200)	(196)	22
Adjusted earnings	**(79)**	**(1,060)**	(3,325)

*Adjusted earnings per share is calculated as profit for the period adjusted for amortisation as a result of business combinations, exceptional items 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.

5. GOODWILL AND OTHER INTANGIBLES

	Goodwill	Software	Product development	Trade name	Customer relationships	Total
	£000	£000	£000	£000	£000	£000
COST						
As at 1 October 2022	**26,292**	**294**	**3,503**	**1,289**	**1,870**	**33,248**
Additions	-	138	286	-	-	424
Assets held for sale	-	(138)	(880)	-	-	(1,018)
As at 31 March 2023	**26,292**	**294**	**2,909**	**1,289**	**1,870**	**32,654**
Additions	-	-	24	-	-	24
Reclassify as tangible fixed assets	-	(138)	-	-	-	(138)
Assets held for sale	-	138	-	-	-	138
As at 30 September 2023	**26,292**	**294**	**2,933**	**1,289**	**1,870**	**32,678**
Additions	150	-	41	-	-	191
As at 31 March 2024	**26,442**	**294**	**2,974**	**1,289**	**1,870**	**32,869**
AMORTISATION AND IMPAIRMENT						
As at 1 October 2022	**4,109**	**155**	**2,134**	**455**	**1,831**	**8,684**
Charge for the period	-	101	220	64	39	424
Assets held for sale	-	(27)	(359)	-	-	(386)
As at 31 March 2023	**4,109**	**229**	**1,995**	**519**	**1,870**	**8,722**
Amortisation charge for the period	-	71	238	64	-	373
Impairment charge	4,745	-	-	-	-	4,745
Reclassify as tangible fixed assets	-	(33)	-	-	-	(33)
Assets held for sale	-	27	(102)	-	-	(75)
As at 30 September 2023	**8,854**	**294**	**2,131**	**583**	**1,870**	**13,732**
Amortisation charge for the period	**-**	**-**	**248**	**64**	**-**	**312**
Assets held for sale	**-**	**-**	**(98)**	**-**	**-**	**(98)**
As at 31 March 2024	**8,854**	**294**	**2,281**	**647**	**1,870**	**13,946**
NET BOOK VALUE						
As at 30 September 2022	**22,183**	**139**	**1,369**	**834**	**39**	**24,564**
As at 31 March 2023	**22,183**	**65**	**914**	**770**	**-**	**23,932**
As at 30 September 2023	**17,438**	**-**	**802**	**706**	**-**	**18,946**
As at 31 March 2024	**17,588**	**-**	**693**	**642**	**-**	**18,923**

The remaining amortisation periods for software and product development are 6 months to 48 months (2023: 6 months to 48 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 CGU being the division in which the goodwill has arisen. The Group has 2 CGUs and the goodwill related to each CGU as disclosed below.

Goodwill	Mar-24	Mar-23
	£000	£000
Offshore Energy Division	14,998	19,593
Marine Civils Division	2,590	2,590

Goodwill is allocated to two CGUs being Offshore Energy and Marine Civils. Goodwill has been tested for impairment by assessing the recoverable amount of each cash generating unit. The recoverable amount is the higher of the fair value less costs to sell (FVLCD) and the value in use. The value in use has been calculated using budgeted cash flow projections for the next 4 years. A terminal value based on a perpetuity calculation using a 2% real growth rate was then added. The next 4 years forecasts have been compiled at individual CGU level with the forecasts in the first 2 years modelled around the known contracts which the entities have already secured or are in an advanced stage of securing. A targeted revenue stream based on historic revenue run rates has then been incorporated into the cashflows to model contracts that are as yet unidentified that are likely be won and completed in the year. The forecasts for year 3 and year 4 are based on assumed growth rates for each individual entity, the total growth rate for the Group (CAGR 13.5%) are in line with expected market rate. The value in use calculation models an increase in revenue for the offshore energy division of 16% across year 3 and rate. The value in use calculation models an increase in revenue for the offshore energy division of 16% across year 3 and year 4 and then 2% into perpetuity. The growth rates for year 3 and 4 are comparable to the expected market CAGR. The Group has used the fair value less costs to sell as the estimate of recoverable amount for one subsidiary of the offshore energy division, as the FVLCD was in excess of the value in use.

The cashflow forecasts assume growth in revenue and profitability across the Group. These growth rates are based on a combination of business units returning to previously experienced results combined with externally generated market information. The 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.

In addition to growth in revenue and profitability, the key assumptions used in the impairment testing were as follows:

Gross Margin % returning towards FY20 levels for offshore energy division.

A post tax discount rate of 15.5 % WACC (FY23 15.5%) estimated using a weighted average cost of capital adjusted to reflect current market assessment of the time value of money and the risks specific to the Group.

Terminal growth rate percentage of 2% (FY23: 2%)

The discount rate used to test the cash generating units was the Group's post-tax WACC of 15.5%. The goodwill impairment review has been tested against a reduction in free cashflows. The Group considers free cashflows to be EBITDA less any required capital expenditure and tax.

The value in use calculations performed for the impairment review, together with sensitivity analysis using reasonable assumptions, indicate sufficient headroom for the goodwill carrying value in all of the identified CGU's.

All amortisation charges have been treated as an expense and charged to cost of sales and operating costs in the income statement.

6. TRADE AND OTHER RECEIVABLES

	Mar-24 Unaudited	Mar-23 Unaudited	Sep-23 Unaudited
	£000	£000	£000
Amounts falling due within one year:			
Trade receivables not past due	1,639	4,484	2,648
Trade receivables past due (1-30 days)	1,710	2,271	4,738
Trade receivables past due (over 30 days)	6,303	3,057	4,136
Trade receivables not yet due (retentions)	346	876	650
Trade receivables net	**9,998**	**10,688**	**12,172**
Contract assets	2,858	4,475	4,079
Other receivables	879	598	135
Prepayments and accrued income	1,010	537	796
Deferred Tax Asset	389	254	-
	15,134	**16,552**	**17,182**

Trade and other receivables are all current and any fair value difference is not material. Trade receivables are assessed by management for credit risk and are considered past due when a counterparty has failed to make a payment when that payment was contractually due. Management assesses trade receivables that are past the contracted due date by up to 30 days and by over 30 days.

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

There have been no provisions for impairment against the trade and other receivables noted above. The Group has calculated the expected credit losses to be immaterial.

The Group continues to operate in global markets where payment practices surrounding large contracts can be different to those within Europe. The flow of funds on large capital projects within China tend to move only when the windfarm developer approves the completion of the project. The Group has a number of trade receivable balances, within its subsidiary based in China, which have been past due for more than 1 year. At 31st March 2024 the value of these overdue trade receivables was £1.4m, of a total outstanding trade receivable balance for the entity of £2.9m. These amounts remain outstanding at the approval of the condensed consolidated interim financial information. Management have not provided for the trade receivable balance or made a credit loss provision on the basis that previous trading history sets a precedent that these balances will be received. Since 2020, the Group has traded in China generating £10.1m of revenue, of which £7.2m has been fully received to date which represents full cash receipt on older projects. The amounts which remain outstanding are from more recent projects and none of the values in trade receivables are in dispute with the customer.

7. BORROWINGS

	Mar-24 Unaudited	Mar-23 Unaudited	Sep-23 Unaudited
	£000	£000	£000
Current			
Trade Loan Facility	3,313	4,000	3,575
Lease liability	303	246	420
CBILs Bank Loan	3,000	3,000	3,000
	6,616	**7,246**	**6,995**
Non-current			
Lease liability	719	911	795
	719	**911**	**795**

	Mar-24 Unaudited	Mar-23 Unaudited	Sep-23 Unaudited
	£000	£000	£000
Amounts repayable			
Within one year	6,616	7,246	6,995
In more than one year but less than two years	257	192	288
In more than two years but less than three years	256	257	293
In more than three years but less than four years	206	256	214
In more than four years but less than five years	-	206	-
	7,335	**8,157**	**7,790**

	Mar-24 Unaudited	Mar-23 Unaudited	Sep-23 Unaudited
	£000	£000	£000
Average interest rates at the balance sheet dates			
Lease liability	5.60	5.60	5.60
Trade Loan Facility	7.50	7.50	7.50
CBILS Bank Loan	7.50	7.50	7.50

The CBILS Bank Loan was renewed in November 2023 and is due for maturity on 31 October 2024. The Trade Loan Facility is due for Maturity on 31 July 2024, as described in note 2b.

8. PROVISIONS

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

	Mar-24 Unaudited	Mar-23 Unaudited	Sep-23 Unaudited
	£000	£000	£000
Carrying amount at period start	**356**	**-**	**-**
Additional provision	34	-	465
Amounts utilised	(146)	-	-
Transferred to liabilities held for sale	(34)	-	(109)
	210	**-**	**356**

The provision recognised in the periods ending 31 March 2024 and 30 September 2023 are for onerous contracts. The Group has assessed that the unavoidable costs of fulfilling the contract obligations exceed the economic benefits expected to be received from the contract. The provision relates to two contracts in the offshore energy division which are expected to be completed in the year ending September 2024.

9. CONTINGENT LIABILITIES

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

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

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

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

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

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

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

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

Tekmar has received a further defect notification in relation to incorrect coating specification on 1 historic project. This defect notification is in relation to units which had not yet been installed and have been recoated post year end at no cost to Tekmar. There are a number of units which have been installed in relation to the same legacy project which may have the incorrect coating specification. At this stage management do not consider that there is a present obligation arising under IAS37 as insufficient evidence is available to identify whether any unresolved defects exist. Given the range of possible outcomes, management considers that determining whether a possible obligation exists, can only be confirmed by further technical investigation to identify any further units which have may not have been coated to the correct specification. As such management has disclosed a contingent liability in the interim financial information.

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

10. DISCONTINUED OPERATIONS

The Group is currently in the process of selling one of its subsidiaries, Subsea Innovation Limited. Therefore, loss for the period has been classed as discontinued operations, and assets and liabilities categorised as held for sale.

Operating loss of Subsea Innovation Limited until the 31 March 2024 is summarised below:

	6M ended 31 Mar 2024 Unaudited	6M ended 31 Mar 2023 Unaudited	12M Ended 30 Sep 2023 Unaudited
	£000	£000	£000
Revenue	3,327	1,805	4,275
Cost of sales	(2,580)	(1,290)	(3,289)
Gross profit	747	515	986
Administrative expenses	(1,135)	(1,080)	(2,358)
Other operating income	5	-	8
Operating (loss)	(383)	(565)	(1,364)

Analysed as:			
Adjusted EBITDA[1]	(223)	(411)	(892)
Depreciation	(51)	(55)	(155)
Amortisation	(123)	(99)	(177)
Share based payments	-	-	(8)
Exceptional items - bonus	-	-	(134)
Foreign exchange gains	14	-	2
Operating (Loss)	(383)	(565)	(1,364)

Finance costs	(3)	(7)	(10)
Finance income	-	-	-
Net finance costs	(3)	(7)	(10)
(Loss) before taxation	(386)	(572)	(1,374)
Taxation	-	-	-
(Loss) for the period from discontinuing operations	**(386)**	**(572)**	**(1,374)**

Most of the assets and all of the liabilities will be disposed of in this transaction, however, the Group continues to own the land and buildings. The carrying amount of assets and liabilities to be disposed of are as follows:

	31 Mar 2024 Unaudited	31 Mar 2023 Unaudited	30 Sep 2023 Unaudited
	£000	£000	£000
Non-current assets			
Property, plant, and equipment	246	199	298
Goodwill and other intangibles	320	632	421
Total non-current assets	566	831	719
Current assets			
Inventory	167	194	85
Trade and other receivables	3,914	2,283	2,552
Cash and cash equivalents	343	(132)	191
Total current assets	4,424	2,345	2,828
Assets classified as held for sale	**4,990**	**3,176**	**3,547**
Non-current liabilities			
Loans and other borrowings	-	46	39
Trade and other payables	341	331	328
Deferred tax liability	-	95	203
Total non-current liabilities	341	472	570
Current liabilities			
Loans and other borrowings	-	45	51
Trade and other payables	2,404	1,623	1,207
Provisions	34	-	109
Total current liabilities	2,438	1,668	1,367
Liabilities classed as held for sale	**2,779**	**2,140**	**1,937**

Cash flows generated by Subsea Innovation Limited for the reporting periods under review until the period end are as follows:

	31 Mar 2024 Unaudited	31 Mar 2023 Unaudited	30 Sep 2023 Unaudited
	£000	£000	£000
Operating activities	(785)	(73)	(1,175)
Investing activities	-	(156)	(177)
Financing activities	937	78	1,524
Cash flows from discontinued operations	**152**	**(151)**	**172**

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