Tekmar Energy Limited

Annual report and financial statements

Registered number 06294325

30 September 2024

Contents

Strategic report	1
Directors' report	11
Statement of directors' responsibilities in respect of the annual report and the financial statements	14
Independent auditor's report to the Members of Tekmar Energy Limited	15
Profit and Loss Account and Other Comprehensive Income	19
Balance Sheet	20
Statement of Changes in Equity	21
Notes	22

Strategic report

The directors present their Strategic Report and financial statements for the year ended 30 September 2024. The comparative period is the year ended 30 September 2023.

Principal activity

Tekmar Energy (Company), 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.

Market Review

Market Outlook for Tekmar Energy

The offshore energy market is undergoing significant change, this presents Tekmar Energy with a significant opportunity to augment its market position. This outlook explores the key trends, challenges, and opportunities in the offshore wind and oil and gas sectors, informed by broader market analysis.

A New Era for Offshore Energy

The global offshore energy market is at a pivotal period.

Governments worldwide are accelerating efforts to achieve net zero emissions, and along with this setting ambitious targets for renewable energy deployment. Offshore wind plays a central role in this transition. Today there is operational capacity nearing 74 GW . China leads with 35.5 GW, followed by the UK (14.8 GW) and Germany (8.2 GW). Projections indicate total capacity could reach 630 GW by 2050.[1]

Simultaneously, oil and gas remains critical to energy security and certainty of supply, which has undergone a resurgence due to its criticality in the energy transition roadmap. Recent forecasts indicate global offshore oil and gas expenditure is expected to grow by over 20% annually through 2025.[2]

Offshore Wind

Navigating the Offshore Wind Quadrilemma

The offshore wind industry has navigated a challenging "Quadrilemma":

1. **Rapidly reducing Strike Prices**: Developers engaged in aggressive pricing competition, often relying on speculative future technology advancements and cost reductions that failed to materialize. This created impaired project economics and delayed projects.
2. **Macroeconomic pressures**: Rising inflation and central bank interest rate hikes significantly increased project costs. For instance, the Euro Area's main interest rate rose from -% to 4.5% within two years.[3]
3. **Cost inflation**: Post covid and amidst the Russian / Ukrainian conflict material and energy prices soared further hampering project economics.
4. **Operational failures**: Industry-wide reliability challenges affected OPEX costs. Insurance claims have increased significantly in the last 10 years between , undermined confidence in operating cost models.

These factors ultimately led to delays in Final Investment Decisions (FIDs): with several developers withdrawing from planned investments and auction, for example AR5 in the UK attracted no bidders. Despite these hurdles, the industry has entered a period of recovery. Strike prices have been significantly corrected (eg UK AR6 £73 - https://www.gov.uk/government/publications/contracts-for-difference-cfd-allocation-round-6-results), demonstrating recognition from the Government of changing economic forces as well as reinforcing their primary commitment which is to decarbonising the energy supply chain to achieve net zero. Furthermore, material costs and interest rates have stabilised and reliability is being assured by developers adopting a more integrated, end-to-end system design approach, ensuring a cost effective and reliable solution.

Globally, a cumulative 117.9 GW is post-FID, including operational projects, under construction, and projects in the construction phase. To meet credible growth forecasts for 2030, an FID rate of 5.62 GW per quarter is needed.[1]

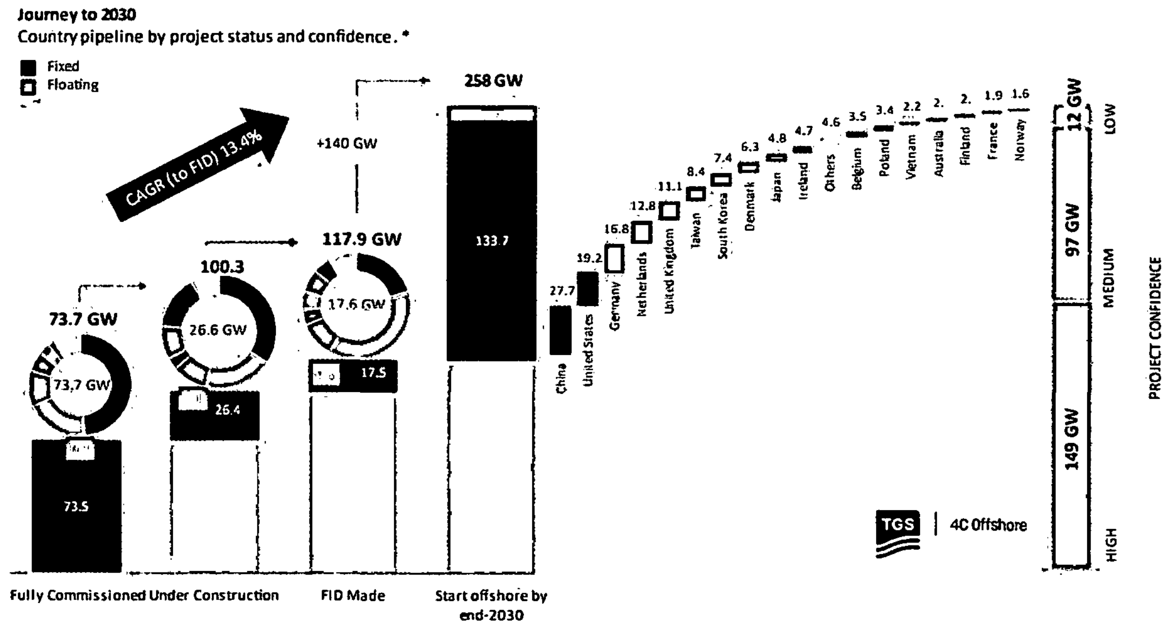
Strategic report (continued)

Market Review (continued)

Winds of Change and Opportunity: A Holistic Transformation

The offshore wind market is experiencing a confluence of favourable developments:[5]

- **Global Expansion of Offshore Wind**: While Europe, particularly the UK, remains a key hub, the sector is globalizing with significant growth in Asia-Pacific markets such as South Korea, Taiwan, and Japan. Offshore wind activity is forecast to reach 258 GW by the end of 2030, driven by an annual growth rate of 13.4%, with additional buildout peaking in Europe around 2030.
- **Floating Offshore Wind**: 4C Offshore forecasts 7 GW of floating offshore wind capacity to be installed or underway globally by 2030, with a dramatic rise to 30 GW by 2035.
- **Global Outlook: Growth from 73.7 GW to 258 GW by 2030**



Analysis is assembled using 4C Offshore's Project Opportunity Pipeline (POP), exclusive to subscribers.

Oil and Gas

The Energy Transition: Balancing Oil and Gas with Offshore Wind

Achieving net zero emissions while maintaining global energy security requires a balanced approach that integrates both renewable and traditional energy sources. Offshore wind offers a sustainable solution to reducing carbon emissions, while oil and gas, in conjunction with Carbon Capture and Storage (CCS) provide the predictability needed to support the transition without significant intermittency. According to the Climate Change Committee, a pragmatic energy mix that leverages the strengths of both sectors is essential for meeting climate goals. Investments in technologies like CCS and Hydrogen and advancements in offshore wind capacity can accelerate the shift towards a cleaner, more resilient energy landscape. (Climate Change Committee)

Subsea Infrastructure Spending to Surpass $10 Billion Annually

Renewed Momentum in Oil and Gas: The Transition Partner

Oil and gas remain a cornerstone of global energy security, with increasing activity driven by higher energy prices and technological advancements. Simultaneously, offshore oil and gas developments are ramping up in regions like Brazil and the Gulf of Mexico, with global offshore oil and gas expenditure expected to grow by over 20% annually through 2025.[2]

Strategic report (continued)

Market Review (continued)

Charting the Future of Offshore Energy

The offshore energy market is entering an exciting era, driven by global energy transition goals and increasing demand for reliable infrastructure. While the sector continues to face challenges, stabilizing economic conditions and a growing commitment to sustainable energy solutions underpin it's long-term growth potential.

Footnotes

1. 4C Offshore, Global Offshore Wind Report (Q3 2024).
2. Rystad Energy, "From Shale to Offshore: Global Oil and Gas Industry Dynamics Are Shifting" (14 August 2024).
3. European Central Bank, Monetary Policy Reports (2023).
4. UK Government, "Recent Offshore Wind Strike Price Adjustments Reflecting Market Realities" (2023).
5. Subsea World News, "Global Subsea Spending Projections Show Promising Growth" (2023).

FY24 Performance and FY25 Outlook

FY2024 was a transitionary year for Tekmar Energy, where we focused on the basics - providing high-quality engineering, delivering on time and maintaining consistent commercial discipline.

The Company reported operating profit of £0.5m, an increase of £2.1m on a like-for-like basis reflecting the hard work of the team in margin improvement. This is a stable and solid platform against which the business can drive profitable growth.

As we look ahead, we are encouraged that the market environment is improving and supports sustained demand for Tekmar Energy's technology and engineering services across our markets. Moreover, we believe Tekmar Energy's differentiated technology positions the Company to outperform this improving market. This is supported by the Company's developing sales pipeline, however it will take time for this activity to convert to orders and revenue.

Accordingly, we believe a reasonable expectation is for operating profit for FY25 to be consistent with FY24, and for the phasing of profit generation to be second half weighted. This is aligned with our primary focus on increasing order intake through 2025 to position the Company for improved performance in 2026 and beyond.

Favourable Markets Support Sustained Demand for Tekmar's Technology

The key indicators across offshore energy markets are consistent with an improving market environment.

In offshore wind, there is a higher volume of projects now being sanctioned than ever before as the market moves into recovery and builds momentum after the challenges of recent years. The lead indicators support this improving trajectory, with record Final Investment Decision ("FID") in 2023 and 2024, with 12.3GW and [13.1] GW respectively reversing the pause in 2022 when 0.8GW of offshore wind capacity was consented. Linked to this, industry analysts forecast 1,000 turbines per year will be installed through 2028, increasing to 2,000 by 2030 [comment on the growth this represents vs the existing installed base]. Demand is expanding globally, with Europe remaining the anchor growth market, particularly the UK. In addition, turbine OEMs are reporting improved financial performance and cable manufacturers are reporting stronger backlogs. Activity levels across the oil and gas industry highlight the continued high and sustained levels of CAPEX and OPEX, with this investment increasingly recognised as essential to support energy transition. These factors in turn indicate supply chain capacity will be stretched and supports sustained demand for Tekmar's technology and engineering services.

Strategic report (continued)

Our three-year plan supports a step-change in Tekmar's scale

We have developed a three-year plan rooted in driving significant organic growth across the Company's existing portfolio of products and services, along with an iterative product development programme and complementary M&A within the wider Group. This addresses the importance of Tekmar Energy achieving greater scale with significant profitability gains driven by the benefit of operational gearing. The following opportunities are integral to the plan:

- capitalise on our industry pedigree and differentiated technology to drive order intake and outperform a growing market
- drive higher utilisation rates across the business, achieved through the balance of scale of projects and duration of projects
- reweighting of revenue streams towards and a shift to higher margin services
- incremental investment in our technology roadmap to support product development and market diversification
- resolve outstanding legacy issues relating to notifications of potential defects
- continued refinement of the org model and deployment of Tekmar best practice programme across the business.

Ongoing legacy defect notifications

Tekmar Energy have continued with their commitment in working with relevant installers and operators, to investigate further the root cause of ongoing legacy defect notifications.

This has been undertaken without prejudice and on the basis that Tekmar has consistently denied any responsibility for these issues. Given the extensive uncertainties, the RCA investigations have not concluded that the Tekmar Energy products are defective.

Working in collaboration with the relevant 2 customers, Tekmar Energy have explored the insurance available for such matters not withstanding Tekmar Energy's position regarding responsibility and liability. In this regard, the company have negotiated a commercial settlement with its EXPL insurance provider of £5.2m in relation to the above claims. The insurance proceeds are available for use at the discretion of the Company in settlement of the above claims, with any unused cash repayable to the insurer.

Within the result for FY24 there is a net charge of £0.6m recognised in the P&L. This represents the net impact of the provision of £5.8m offset by the insurance monies received post year end of £5.2m.

Key performance indicators

	12m to Sep 24	12m to Sep 23	12m to Sep 22
Revenue	**£18.1m**	**£15.1m**	**£12.3m**
Gross profit	**£5.4m**	**£2.6m**	**£1.1m**
Gross margin	**30%**	**17%**	**9%**
Adjusted EBITDA	**£2.4m**	**£(0.8)m**	**£(2.1)m**
Adjusted EBITDA return	**13%**	**(5)%**	**(17)%**
Profit / (loss) before tax	**£0.4m**	**£(2.1)m**	**£(3.5)m**

Adjusted EBITDA is calculated as operating profit (£0.5m), adjusted for depreciation (£0.7m) amortisation (£0.3m), fx gains and losses (£0.2m), warranty provision (£0.7m) and other one off costs (£0.1m).

Strategic report (continued)

Section 172 Statement

The Directors consider that they have acted in good faith in the way they consider would be most likely to promote the success of the company for the benefit of its members as a whole, having regard to decisions taken during the year ended 30 September 2024, *in particular the strategic growth plan which includes the continuing organic growth* within Tekmar Energy accompanied by the accelerated growth from product development and expanding our regional reach

This strategy is designed to have a long-term beneficial impact on the Company for both its shareholders and employees. The detail supporting the Company's strategy is driven by the business plans within Tekmar Energy and its subsidiary companies.

Tekmar Energy's ultimate parent company is Tekmar Group plc which owns 100% of Tekmar Energy. Approximately 80% of the shares in Tekmar Group PLC are held by 15 institutional shareholders. To ensure the Board maintain a good understanding of their interests, and keep these shareholders informed regarding the strategy and objectives of the Group, the CEO and other directors communicate regularly and meet at least bi-annually. The Board recognises its responsibility to act fairly between all shareholders of the Company and ensures up-to-date information is available on the Group Investor website and has recently launched a new Group website (www. tekmargroup.com) which brings together the Group's portfolio of companies on to one site, promoting a greater understanding of the breadth of our product and service offering, which supports the global offshore wind, oil and gas, interconnectors, telecommunications, marine civils, and wave and tidal sectors.

Employees are fundamental to the delivery of the business plan. We regularly provide our people with information on matters of concern to them, consulting them regularly, so that their views can be factored in when making decisions that are likely to impact them. Employee involvement in the Company is encouraged, as achieving a shared awareness of the part that all employees play in the financial and economic factors affecting the Company plays a major role in its performance.

We have a Business Integrity Policy that communicates the expected business behaviours of all employees and this policy incorporates guidance on employee's responsibilities should they become aware of inappropriate business behaviours or any similar concern. The Company recognises its responsibility to employ disabled persons in suitable employment and gives full and fair consideration to such persons, including any current employee who becomes disabled, having regard to their aptitudes and abilities. Where practicable, disabled employees receive treatment equal to all other employees in respect of their eligibility for training, career development and promotion. As the Board of Directors, our intention is to behave responsibly and ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance and in doing so, will contribute to the delivery of the plan.

Strategic report (continued)

Principal risks and uncertainties

Risk 1. Access to capital (Liquidity Risk & Cashflow risk)

Risk Type: Strategic, Finance

Description: Access to capital is a significant factor in the Group's ability to maintain sufficient liquidity which underpins the trading activity of the Group. There is uncertainty in relation to how, when and to what extent developments will impact on the markets we operate in, the wider economy, levels of investor activity and confidence.

Impact: Without access to sufficient finance the company may struggle to maintain sufficient liquidity or undertake all aspects of its organic growth plan alongside as groups acquisition strategy for accelerated growth.

Mitigation: The business has ongoing relationships with banks and other financial institutions that offer the required level of support. The Group has previously strengthened its cash position with the extension on banking facilities and the equity fundraise. As noted in the basis of preparation of the financial statements on page 22, there is a risk that bank facilities are not renewed. The business has a strong relationship with Barclays and as a result, management are confident that bank facilities will continue to be available to the group for the foreseeable future.

In April 2023, the group received capital investment from SCF Partners and related parties of £4.3m alongside a placing and retail fund raise of £2.1m raised cash proceeds of £5.3m, net of expenses. In addition, SCF Partners have committed, with conditions an additional investment of £18.0m available through the convertible loan note facility. The strategic investment from a global institutional investor in the energy sector provides funding for the Company to follow an ambitious plan for growth, both organically and by acquisition.

Evaluation: Monitored by Board

Risk 2. Project timings and delay to contract awards

Risk Type: Strategic, Financial performance, Liquidity

Description: The project-based, contractual nature of the Group's business, coupled with its concentrated customer base, leads to a revenue profile that is inherently uneven over the year. Most contract awards and associated revenues are dependent on large capital projects within the energy sector, the timing of which is out of the business' control.

Impact: There is an associated risk that the fulfilment of any contract, together with its revenue, may fall outside the financial period that was originally forecast. This, in turn, may have a material adverse impact on the Group's reported financial performance for the specific period. As noted in the basis of preparation of the financial statements on page 22, there is a risk that delays in contract award could lead to liquidity challenges for the Group.

Mitigation: The business has produced a 5-year strategic plan that includes an assessment on project timing and the revenue streams macro climate. The wider Group portfolio offers a mix of project timings due to new markets and regions as well as further diversification into service based revenue streams.

Evaluation: Monitored by Board

Strategic report (continued)

Principal risks and uncertainties (continued)

Risk 3. Macroeconomic environment

Risk Type: Financial, Operational

Description: General economic conditions: This risk relates to the Group's exposure to short-term macroeconomic conditions in our sector such as inflation, cost increases and supply chain logistics. The factors driving the market changes can be outside of the Group's control and difficult to forecast.

Impact: The Group has experienced increased supply chain costs and general cost inflation. These Macroeconomic changes have the potential to reduce the financial resources available to the Group.

Mitigation: The Group cannot control the market conditions in which it operates. The Group has implemented effective cost initiatives, enhanced controls surrounding pricing and gross margin management.

Evaluation: The Board continues to closely monitor the increased risks macroeconomic risks which are mitigated by enhanced controls.

Risk 4. Systems and processes

Risk Type: Operational, Compliance

Description: IT systems are vital to the operations of the Group. Failure to adequately invest in and maintain the Group's systems could lead to the loss or theft of sensitive data or compromise the Group's ability to effectively carry out operations.

Impact: Systems failures could lead to an inability to meet customers' needs and lead to reputational damage. The loss of sensitive information could lead to significant damage with an associated risk of fines.

Mitigation: The Group predominantly outsources provision of IT services to a suitably qualified third-party, whose competence and service are regularly reviewed. Regular staff training is offered or mandated, depending upon the nature of the training, to ensure that all staff maintain awareness of their responsibilities with respects to IT security, with particular focus on cyber-security. The group is currently undertaking the implementation of a new finance and business system which is scheduled to be implemented by March 2025.

Evaluation: Risk remain low due to continuous review and upgrade of systems as required.

Strategic report (continued)

Principal risks and uncertainties (continued)

Risk 5. Technology and competition

Risk Type, Strategic

Description: The risk of new competitors leading to a reduction in pricing. Design changes could lead to technology obsolescence and subsequently reduced volume of sales.

Impact: Reduced volume of sales. Increase in capital expenditure to develop new products. Resulting in a reduction in the Group's financial performance.

Mitigation: The business undergoes a detailed technology readiness level (TRL) programme when developing new products, which includes an assessment of competition and what our ultimate value proposition would be. Significant investment is made in the continuous development of existing products to ensure they keep pace with current market trends. Our more diversified product portfolio allows us to offer a unique proposition to customers.

Evaluation: Monitored by board

Risk 6. Recruitment and Retention of Key People

Risk Type: Operational, Compliance;

Description: The business may fail to attract, develop and retain key individuals with the skillsets required to maintain a successful business and culture, particularly within engineering and leadership.

Impact: A major impact on Tekmar's ability to fulfil its contractual obligations. Adverse impact on the future growth aspirations for the Group.

Mitigation: Key KPI's are reviewed monthly by the Executive Team and Board.

In addition, the People Strategy has been developed to focus on the retention and development of talent. Annual appraisal assessments are undertaken and a skills matrix and succession plan developed from this, including risk mitigation plans.

Annual review of remuneration and benefits to ensure we are consistent across the Group and are competitive in the relevant region. Executives and senior management incentive plan in place.

Regular pulse surveys to invite feedback on a range of issues over the period.

Evaluation: Monitored by board.

Strategic report (continued)

Principal risks and uncertainties (continued)

Risk 7. Risk of claims and failure to meet contractual obligations

Risk Type: Strategic, Financial, Operational

Description: The Group enters contracts that contain terms that, in some cases, contain wide reaching indemnities and warranties. These terms are commonplace in the subsea industry and do not unfairly prejudice the Group, nor do they put the Group in a materially worse position than its competitors. These warranties and indemnities lead to an inherent risk that the Group's liability for any breach could be extensive, especially if these are given on an uncapped basis.

Impact: A major impact on the business' ability to fulfil its contractual obligations. Adverse impact on the future growth strategy for the business.

Mitigation: Contracts are reviewed extensively prior to signing, and the likelihood of risks assessed by legal and technical teams. Uncapped liabilities are kept to a minimum and only agreed to for areas of the contract that Directors believe are very low risk. Where possible the Group insures against risks to minimise the potential financial impact. There is a strong focus across the Group on high quality project execution which is regularly reviewed under independent ISO certification where appropriate.

Evaluation: Monitored by board.

Risk 8. Financial management risks

Risk Type: Financial

Description: Price Risk: The Group's key products are reliant on key components including Polyurethane (PU), Cast Iron and concrete. There is an inherent risk that price increases outside of Groups control can have an impact of the trading conditions and environment in which the Group operates.

Interest Rate Risk: The current economic position within the UK has led the Bank of England to increase the base interest rate. Current economic outlook suggests that borrowing rates are likely to remain at a higher level than seen in previous years in the short term. The recent increases in interest rates will lead to higher annual borrowing costs for the Group.

Exchange Rate Risk: The Group's continued expansion into international markets increases the Group's exposure to risks associated with changes in foreign currency exchange rates on sales and operations. The proportion of revenue denominated in currencies other than pound sterling is expected to increase. Exchange rate variations could have an impact on the Groups reported financial results.

Credit Risk: The ability of the Group along with its key stakeholders, customers and suppliers to avoid default on credit is key to future growth strategy of the business.

Impact: Without access to sufficient finance the company may struggle to undertake all aspects of its growth plan, such as the acquisition strategy and accelerated growth.

Mitigation: The business has ongoing relationships with banks and other financial institutions that offer the required level of support. The Group has strengthened its cash position with the extension on banking facilities. Cash flow forecasts are updated and discussed regularly, with analysis prepared at both a subsidiary and Group level.

Strategic report (continued)

Principal risks and uncertainties (continued)

Exchange Rate Risk: Where revenues are generated in international markets, with contracts denominated in non-sterling currencies, the Group aims to create a natural hedge by matching the currency of the supply chain to the currency of the revenue stream. Where natural hedges are not available or do not sufficiently cover the exposure, management will consider the use of forward currency contracts to mitigate exchange rate risks.

Enhanced due diligence is undertaken at the contracting stage to understand the price impacts of a particular contract, detailed financial project reviews are undertaken with multiple key suppliers underpinning the core of the Group's supply chain.

Evaluation: Increased risk due to economic environment, monitor.

This Strategic report was approved by order of the board

L Wilkinson Leanne Wilkinson

Director

3 March 2025

Directors' report

The directors present their Directors' report and financial statements for the year ended 30 September 2024.

Proposed dividend

The directors do not recommend the payment of a dividend (2023: £nil).

Directors

The directors who held office during the year and up to the date of approval of these accounts were as follows:

A Macdonald	Resigned 13 September 2024
L Wilkinson	
A M Bell	
R J Turner	Appointed 2 September 2024

Business review and future developments

A review of the performance of the Company during the year, including principal risks and uncertainties, key performance indicators and comments on future developments, is presented in the Strategic Report.

Political contributions

The Company made no political donations or incurred any political expenditure during the year.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Research and development

The business continuously invests in research and development activity. The highlight during the financial year was the continued development of the 10th generation TekLink product with £85,000 (2023: £169,000) of expenditure being incurred in the year. All if the development expenditure has been capitalised within intangible fixed assets.

Financial instruments

The directors have detailed the company's financial risk management objectives and policies in the strategic report. The business holds foreign currency forward contracts to manage exposure to contracts denominated in foreign currencies. As at 30 September 2024, the business held contracts with a value of £247,000 Asset (2023: £29,000 Liability).

Directors' report (continued)

Going Concern

Tekmar Energy meets its day-to-day working capital requirements through the Group's available banking facilities which includes a CBILs loan of £3.0m currently available to 31 October 2025 and a trade loan facility of up to £4.0m that can be drawn against supplier payments, currently available to 31 July 2025. 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 £4.6m of cash at 30 September 2024 including draw down of the £3.0m CBILS loan and a further £3.1m 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 31 March 2026. 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 consistent goss 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 modelled the outflow of cash for £5.2m in relation to note 20 Provisions within the going concern period which is offset against the corresponding insurance receivable within the same period, Management have not modelled anything in relation to the matter set out in note 21 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 £10m (17%) for the period to 31 March 2026, to model the potential loss or delay of a certain level of contracts in the pipeline that form the base case forecast, and a further 5% 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 these financial statements. 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 £15m (60% of unsecured revenue) and increasing overheads by 7% against the base case. In addition, the delays of specific cash receipts have been modelled. The severe but plausible case includes mitigating activities such as delayed capital expenditure spend. 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 trade loan facility in July 2025 and renewal or conversion of the CBILS loan into a term loan in October 2025. 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 2024, that these facilities will be renewed and will be available for the foreseeable future. The renewal of the two facilities in October 2025 and July 2025 are yet to be formally agreed and the Group's forecasts rely on their renewal.

Directors' report (continued)

Going Concern (continued)

Contract Award and timings – In the severe but plausible scenario, management has adjusted the base case forecast to account for the potential downside impact of order intake not being converted within the expected timescales. This adjustment results in a 17% reduction in revenue over the entire going concern period. This sensitised model shows that there is sufficient cash headroom to continue to operate the business.

The Group operates on a contract basis and during the normal course of business, contracts are expected to be executed within specific timeframes during the forecast period. If the Group fails to secure a number of significant contracts, in line with its forecasted timeframes, during a period of lower cash reserves cash headroom would be breached. Management does not consider this to be a likely outcome based on current backlog levels being representative of prior periods coupled with a strong pipeline visibility, opportunities at preferred supplier status and further anticipated contracts awards within the required timescales. Such contract awards would provide sufficient cash resources for the going concern period.

Both the required renewal of the facilities and contract award timing represent events or conditions which would indicate a material uncertainty that may cast significant doubt on the Group's and the 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 financial statements and for this reason they continue to adopt the going concern basis in preparing the financial statements.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Grant Thornton UK LLP will therefore continue in office.

By order of the board

Leanne Wilkinson

L Wilkinson
Director
3 March 2025

Grindon Way
Aycliffe Business Park
Newton Aycliffe
DL5 6SH

Directors' responsibilities statement in respect of the annual report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law, including FRS 101 'Reduced Disclosure Framework'.).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Tekmar Energy Limited

Opinion

We have audited the financial statements of Tekmar Energy Limited (the 'company') for the year ended 30 September 2024, which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2024 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1.2 in the financial statements, which indicates that at the reporting date, the company meets its day-to-day working capital requirements through reliance on its available banking facilities which includes a COVID Business Interruption Loan (CBIL) of £3.0m, currently available to 31 October 2025 and a trade loan facility of up to £4.0m that can be drawn against supplier payments, currently available to 31 July 2025. The note also confirms that it is not certain that the facilities will be renewed or refinanced. The cash flow 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 however, the renewal of both facilities is not guaranteed.

Furthermore, Note 1.2 in the financial statements, also indicates that the going concern basis of preparation is dependent on the company securing significant contract awards in line with the forecast time. If certain significant contract awards are delayed, the company may not have a sufficient level of financial resources available to continue to operate as a going concern.

As stated in Note 1.2, these events or conditions, along with the other matters as set forth in Note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report and financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement in respect of the annual report and the financial statements set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are applicable law and United Kingdom Generally Accepted Accounting Practice and UK corporation tax regulations.
- We obtained an understanding of the legal and regulatory frameworks applicable to the company and the industry in which it operates through our general and commercial and sector experience, discussions with management and legal correspondence. We also discussed the relevant frameworks with company legal advisors as appropriate.
- We obtained an understanding of how the company is complying with those legal and regulatory frameworks by making inquiries of management and of those responsible for legal and compliance procedures. We corroborated our inquiries through our review of board minutes.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
    - journal entries posted by senior finance personnel;
    - journal entries credited to the income statement above earnings before interest, tax, depreciation and amortisation ('EBITDA') and corresponding debit entry below EBITDA or to the balance sheet.
    - journal entries above a set threshold posted to revenue from an unexpected general ledger code; and
    - material post-close journal entries;
- Audit procedures performed by the engagement team included:

  evaluating the processes and controls established to address the risks related to irregularities and fraud;

  journal entry testing, in particular those journals determined to be in respect of our principal risk documented above; and

  challenging assumptions and judgements made by management in its significant accounting estimates.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team including consideration of the engagement team's:
  - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the industry in which the group and the parent company operate; and
  - understanding of the legal and regulatory requirements specific to the group and the parent company.
- We had team communications in respect of potential non-compliance with laws and regulations and fraud including the potential for fraud in revenue recognition through manipulation of the forecast costs to complete and through incomplete contract liabilities.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Victoria McLoughlin

Victoria McLoughlin BA FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
3 March 2025

Profit and Loss Account and Other Comprehensive Income

for the year ending 30 September 2024

	Note	**Year ending 30 Sep 2024 £'000**	Year ending 30 Sep 2023 £'000
Turnover	*2*	**18,122**	15,127
Cost of sales		**(12,745)**	(12,526)
Gross profit		**5,377**	2,601
Administrative expenses	*3*	**(4,264)**	(5,169)
Warranty provision	*17*	**(656)**	-
Operating profit / (loss)		**457**	(2,568)
Interest receivable and similar income	*6*	**18**	3
Interest payable and similar expenses	*7*	**(64)**	(56)
Profit / (Loss) before taxation		**411**	(2,621)
Tax on profit / (loss)	*8*	**(505)**	560
Loss for the financial year		**(94)**	(2,061)
Other comprehensive income		**-**	-
Total comprehensive loss		**(94)**	(2,061)

All results derive from continuing operations.

Balance Sheet
at 30 September 2024

	Note	30 Sep 2024		30 Sep 2023	
		£000	**£000**	£000	£000
Fixed assets					
Intangible assets	*9*		**621**		805
Tangible assets	*10*		**2,425**		2,699
Investments	*11*		**200**		200
			3,246		3,704
Current assets					
Stocks	*12*	**1,134**		1,390	
Debtors	*13*	**17,856**		14,333	
Cash at bank and in hand		**337**		1,323	
		19,327		17,046	
Creditors: amounts falling due within one year	*14*	**(6,989)**		(10,347)	
Provisions	*17*	**(6,058)**		(657)	
Net current assets		**6,280**		6,042	
Total assets less current liabilities			**9,526**		9,746
Creditors: amounts falling due after more than one year	*15*		**(593)**		(763)
Net assets			**8,933**		8,983
Capital and reserves					
Called up share capital	*18*		**-**		-
Profit and loss account			**8,833**		8,983
Shareholders' funds			**8,933**		8,983

These financial statements were approved by the Board of Directors on 3 March 2025 and were signed on its behalf by:

Leanne Wilkinson

L Wilkinson
Director

Company registered number: 06294325

Statement of Changes in Equity

	Called up Share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 October 2022	**-**	**10,984**	**10,984**
Loss for the financial year	-	(2,061)	(2,061)
Total comprehensive loss for the period	-	(2,061)	(2,061)
Share based payment expense	-	60	60
Total transactions with owners, recognised directly in equity	-	60	60
Balance at 30 September 2023	-	**8,983**	**8,983**
Balance at 1 October 2023	**-**	**8,983**	**8,983**
Loss for the financial year	-	(94)	(94)
Total comprehensive loss for the period	-	(94)	(94)
Share based payment expense	-	44	44
Total transactions with owners, recognised directly in equity	-	44	44
Balance at 30 September 2024	-	**8,933**	**8,933**

Notes

(forming part of the financial statements)

1 Accounting policies

Tekmar Energy Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 06294325 and the registered address is Grindon Way, Aycliffe Business Park, Newton Aycliffe, DL5 6SH.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101").*

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of UK adopted International Accounting Standards ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statement present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 400 of the Companies Act 2006, as a subsidiary undertaking of Tekmar Group plc.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Comparative period reconciliations for share capital, tangible fixed assets, intangible assets and investment properties;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Tekmar Group plc include equivalent disclosures the Company has taken the exemption under FRS101 available in respect of IFRS 2 – Share based payments, in respect of Group settled share based payments.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 21.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

Tekmar Energy meets its day-to-day working capital requirements through the Group's available banking facilities which includes a CBILs loan of £3.0m currently available to 31 October 2025 and a trade loan facility of up to £4.0m that can be drawn against supplier payments, currently available to 31 July 2025. 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 £4.6m of cash at 30 September 2024 including draw down of the £3.0m CBILS loan and a further £3.1m of the trade loan facility. There are no financial covenants that the Group must adhere to in either of the bank facilities.

Notes *(continued)*

1 Accounting policies *(continued)*

The Directors have prepared cash flow forecasts to 31 March 2026. 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 consistent goss 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 modelled the outflow of cash for £5.2m in relation to note 20 Provisions within the going concern period which is offset against the corresponding insurance receivable within the same period, Management have not modelled anything in relation to the matter set out in note 21 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 £10m (17%) for the period to 31 March 2026, to model the potential loss or delay of a certain level of contracts in the pipeline that form the base case forecast, and a further 5% 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 these financial statements. 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 £15m (60% of unsecured revenue) and increasing overheads by 7% against the base case. In addition, the delays of specific cash receipts have been modelled. The severe but plausible case includes mitigating activities such as delayed capital expenditure spend. 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 trade loan facility in July 2025 and renewal or conversion of the CBILS loan into a term loan in October 2025. 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 2024, that these facilities will be renewed and will be available for the foreseeable future. However, as the renewal of the two facilities in October 2025 and July 2025 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.

Contract Award and timings – In the severe but plausible scenario, management has adjusted the base case forecast to account for the potential downside impact of order intake not being converted within the expected timescales. This adjustment results in a 17% reduction in revenue over the entire going concern period. This sensitised model shows that there is sufficient cash headroom to continue to operate the business.

The Group operates on a contract basis and during the normal course of business, contracts are expected to be executed within specific timeframes during the forecast period. If the Group fails to secure a number of significant contracts, in line with its forecasted timeframes, during a period of lower cash reserves cash headroom would be breached. Management does not consider this to be a likely outcome based on current backlog levels being representative of prior periods coupled with a strong pipeline visibility, opportunities at preferred supplier status and further anticipated contracts awards within the required timescales. Such contract awards would provide sufficient cash resources for the going concern period.

Both the required renewal of the facilities and contract award timing represent events or conditions which would indicate a material uncertainty that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern.

Notes *(continued)*

1 Accounting policies *(continued)*

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 financial statements and for this reason they continue to adopt the going concern basis in preparing the financial statements.

1.3 Foreign currency

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

1.4 Financial instruments

(i) *Recognition and initial measurement*

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets
(a) Classification

On initial recognition, a financial asset is classified as measured at: amortised cost or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost are measured at FVTPL. This includes all derivative financial assets.

Cash and cash equivalents

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

(b) Subsequent measurement and gains and losses

Financial assets at FVTPL - these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost - These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

Financial liabilities and equity

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments. To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derivative financial instruments and hedging

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(iv) Impairment

The company recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost, and contract assets (as defined in IFRS 15).

The company measures loss allowances at an amount equal to lifetime ECL, except for bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition which are measured as 12-month ECL.

Notes *(continued)*

1 Accounting policies *(continued)*

1.5 Tangible assets

Tangible assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- Right of use assets — life of lease – straight line
- Leasehold improvements — life of lease – straight line
- Containers and racking — 4 years – straight line
- Plant and machinery — 6 years – reducing balance
- Production tooling — 3 years – straight line
- Fixtures and Fittings — 4 years – straight line
- Motor Vehicles — 4 years – reducing balance
- Computer equipment — 4 years – straight line

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

The company has applied IFRS 16 for this set of financial statements. At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities. The lease liability is initially measured at the present value of lease payments that were not paid at the commencement date, discounted using the company's incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest method. If there is a remeasurement of the lease liability, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded directly in profit or loss if the carrying amount of the right of use asset is zero. The company has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less or leases of low value assets. These lease payments are expensed on a straight-line basis over the lease term.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Intangible assets

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials and direct labour. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Capitalised development costs 2-5 years
- Software 3 years

1.7 Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the first-in first-out principle.

1.8 Impairment of non-financial assets excluding stocks and deferred tax assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

1.9 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Share based payments

The share-based payment charges presented in the accounts of Tekmar Energy Limited relate to a recharge of the relevant charges from Tekmar Group PLC in respects of the equity settled share-based payment plans. Details of these plans can be found in note 19.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10 Turnover

Revenue (in both the subsea and offshore wind markets) arises from the supply of subsea protection solutions and associated equipment, principally through fixed fee contracts. To determine whether to recognise revenue in line with IFRS 15, the company follows a 5-step process as follows:

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

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

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

i) Fixed-fee contracted supply of subsea protection systems

For the majority of revenue transactions, the company enters into individual contracts for the supply of subsea protection solutions, generally for a specific project in a particular geographic location. Each contract generally has one performance obligation, to supply subsea protection solutions. All contracts meet one or more of the criteria within step 5 for recognition over time, including the right to payment for the work completed, including profit, should the customer terminate. An assessment is made as to the most accurate method to estimate stage of completion which in the majority of performance obligations is on an inputs basis (costs incurred as a % of total forecast costs).

There are also contracts which include the manufacture of a number of separately identifiable products. In such circumstances, as the deliverables are distinct, each deliverable is deemed to meet the definition of a performance obligation in its own right and do not meet the definition under IFRS of a series of distinct goods or services given how substantially different each item is. Revenue for each item is stipulated in the contract and revenue is recognised over time as one or more of the criteria for over time recognition within IFRS 15 are met. Generally for these items, an input method of estimating stage of completion is used as this gives the most accurate estimate of stage of completion.

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

ii) Manufacture and distribution of ancillary products and equipment

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

Accounting for revenue is considered to be a key accounting judgement which is further explained in note 21.

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Expenses

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable and finance leases recognised in profit or loss using the effective interest method.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

1.12 Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

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

1.13 Provisions and contingent liabilities

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

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability is a disclosure in the notes to the financial statements only.

Notes *(continued)*

2 Turnover from contracts with customers

Disaggregation of revenue

In the following tables, revenue is disaggregated by primary geographical market and by the timing of revenue recognition.

	Year ending 30 Sep 2024 £000	Year ending 30 Sep 2023 £000
Primary geographical markets		
United Kingdom	**2,770**	5,725
Germany	**439**	1,133
Turkey	**-**	931
Italy	**101**	-
Europe – Other	**205**	473
USA	**555**	3,005
China	**374**	280
Japan	**102**	1,083
Philippines	**-**	1,028
Taiwan	**7,696**	-
South Korea	**828**	-
Saudi Arabia	**2,313**	349
UAE	**2,695**	-
Middle East - Other	**40**	761
Rest of the world	**4**	360
Total	**18,122**	15,128
Timing of revenue recognition		
Revenue recognised over time	**17,768**	12,823
Revenue recognised at a point in time	**354**	2,305
Total	**18,122**	15,128

Notes *(continued)*

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	Year ending 30 Sep 2024 £000	Year ending 30 Sep 2023 £000
Depreciation of owned tangible fixed assets	**718**	753
Amortisation of owned intangible fixed assets	**267**	277
Impact of foreign exchange differences	**206**	589

Auditor's remuneration:

	Year ending 30 Sep 2024 £000	12m ending 30 Sep 2023 £000
Audit of these financial statements	**28**	27

Amounts receivable by the Company's auditor and its associates in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Tekmar Group PLC.

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	Year ending 30 Sep 2024	Year ending 30 Sep 2023
Directors	**3**	3
Sales	**3**	3
Administration	**10**	13
Technical	**14**	12
Production	**37**	36
	67	67

Notes *(continued)*

4 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	Year ending 30 Sep 2024 £000	Year ending 30 Sep 2023 £000
Wages and salaries	**2,714**	2,487
Social security costs	**260**	234
Contributions to defined contribution plans	**149**	114
Share based payments	**22**	66
	3,145	2,901

5 Directors' remuneration

	Year ending 30 Sep 2024 £000	Year ending 30 Sep 2023 £000
Directors' remuneration	**132**	180
Amounts receivable under long term incentive schemes	**-**	-
Company contributions to money purchase pension plans	**9**	16
	141	196

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director in the year was £132k (2023: £180k), and company pension contributions of £9k (2023:£16k) were made to a money purchase scheme on his behalf. One director was paid by the company and therefore the figures in the table above reflect their remuneration. The other directors are remunerated by other group entities and their total remuneration is £579k.

	Number of directors	
	Year ending 30 Sep 2023	Year ending 30 Sep 2022
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**1**	1

Notes *(continued)*

6 Interest receivable and similar income

	Year ending 30 Sep 2024 £000	Year ending 30 Sep 2023 £000
Bank Interest	**18**	3
	18	3

7 Interest payable and similar expense

	Year ending 30 Sep 2024 £000	Year ending 30 Sep 2023 £000
Bank Interest	**6**	24
Lease interest	**58**	33
	64	57

8 Taxation

Recognised in the profit and loss account

	Year ending 30 Sep 2024 £000	Year ending 30 Sep 2023 £000
Current tax		
Current tax on income for the period	**-**	(620)
Adjustments in respect of prior periods	**620**	(33)
Total current tax	**620**	(653)
Deferred tax		
Origination and reversal of timing differences	**(115)**	93
Effect of changes in tax rate	**-**	-
Total deferred tax	**(115)**	93
Tax on (Loss)	**505**	(560)

Notes *(continued)*

8 Taxation (continued)

Reconciliation of effective tax rate

	Year ending 30 Sep 2024 £000	Year ending 30 Sep 2023 £000
Profit / (Loss) before taxation	**411**	(2,622)
Tax using the UK corporation tax rate of 25% (*2023: 22%)*	**103**	(577)
Non-deductible expenses	**14**	121
Enhanced R&D expenditure credit	**-**	(246)
Fixed asset timing differences	**(47)**	(36)
Capitalised revenue expenditure	**-**	(37)
Adjustment in respect of prior periods	**620**	(32)
Utilisation of tax losses brought forward	**(185)**	-
Impact of unrecognised deferred tax assets	**-**	247
Total tax charge / (credit)	**505**	(560)

Notes *(continued)*

9 Intangible assets

	Product development £000	Computer Software £000	Total £000
Cost			
Balance at 1 October 2023	2,934	112	3,046
Additions	85	-	85
Disposals	(844)	-	(844)
Balance at 30 September 2024	2,175	112	2,287
Amortisation and impairment			
Balance at 1 October 2023	2,129	112	2,241
Amortisation for the period	267	-	267
Eliminated on disposal	(842)	-	(842)
Balance at 30 September 2024	1,554	112	1,666
Net book value			
At 30 September 2023	805	-	805
At 30 September 2024	**621**	-	**621**

The amortisation charge is recognised in Administrative expenses in the profit and loss account.

The remaining amortisation periods for software and product development are 3 months to 48 months (2023: 6 months to 55 months).

Notes *(continued)*

10 Tangible assets

	Leasehold improvements £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Computer equipment £000	Right of use asset £000	Total £000
Cost							
Balance at 1 October 2023	927	6,116	307	11	428	1,124	8,913
Additions	225	137	130	-	23	16	531
Disposal	-	(1,101)	(2)	(11)	(276)	-	(1,390)
Balance at 30 September 2024	1,152	5,152	435	-	175	1,140	8,054
Depreciation and impairment							
Balance at 1 October 2023	904	4,501	300	11	393	107	6,214
Depreciation charge	-	454	19	-	19	226	718
Disposals	-	(1,016)	(2)	(11)	(276)	-	(1,305)
Balance at 30 September 2024	904	3,939	317	-	136	333	5,629
Net book value							
At 30 September 2024	**248**	**1,213**	**118**	**-**	**39**	**807**	**2,425**
At 30 September 2023	24	1,615	7	-	35	1,017	2,699

Notes *(continued)*

11 Investments

	30 Sep 2024 £000	30 Sep 2023 £000
Cost		
At start of period	**200**	200
At end of period	**200**	200

The company has the following investments in subsidiaries:

	Aggregate of capital and reserves £000	Profit or loss for the year £000	Country of incorporation	Class of shares held	Ownership 2024 %	Ownership 2023 %
Tekmar Marine Technology Company Limited	(473)	(268)	China	Ordinary shares	100	100
Tekmar Polyurethanes Limited	-	-	England and Wales	Ordinary shares	100	100

The registered office of Tekmar Polyurethanes Limited is Grindon Way, Aycliffe Business Park, Newton Aycliffe, DL5 6SH. The registered office of Tekmar Marine Technology Company Limited is Room 120, 4F, No. 1277 Beijing West Road, Jing'an District, Shanghai.

12 Stocks

	30 Sep 2024 £000	30 Sep 2023 £000
Raw materials	**824**	1,139
Work in progress	**83**	15
Finished goods	**227**	236
	1,134	1,390

During the year ended 30 September 2024 £9,177k of inventories were recognised in cost of sales (2023: £10,009k).

Notes *(continued)*

13 Debtors

	30 Sep 2024 £000	30 Sep 2023 £000
Trade debtors	**2,683**	3,706
Contract assets	**2,497**	2,330
Amounts owed by group undertakings	**6,701**	7,867
Other debtors	**248**	154
Derivative asset	**247**	-
Deferred tax asset (see Note 18)	**34**	41
Prepayments	**281**	235
Warranty provision asset	**5,165**	-
	17,856	14,333

All amounts are due within one year.

Amounts owed by group undertakings are repayable at the discretion the ultimate parent company, Tekmar group PLC based on available cashflows across the group. No interest is charged on amounts due to or from group undertakings.

14 Creditors: amounts falling due within one year

	30 Sep 2024 £000	30 Sep 2023 £000
Trade creditors	**3,342**	2,252
Amounts owed to group undertakings	**2,459**	5,668
Taxation and social security	**161**	81
Other creditors	**39**	24
Accruals and deferred income	**360**	259
Contract liabilities	**389**	1,651
IFRS 16 lease liability	**239**	283
Derivative liability	-	29
	6,989	10,347

Amounts owed to group undertakings are repayable at the discretion the ultimate parent company, Tekmar group PLC based on available cashflows across the group. No interest is charged on amounts due to group undertakings.

During the period the company made total cash payments of £289,000 (2023: £184,000) in relation to lease liabilities. The IBR rate applied was 6.18%

Notes *(continued)*

15 Creditors: amounts falling due within one year

	30 Sep 2024 £000	30 Sep 2023 £000
IFRS 16 lease liability	**593**	763
	593	763

16 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	30 Sep 2024 £000	30 Sep 2023 £000
Creditors falling due after more than one year		
IFRS 16 lease liability	**593**	763
Creditors falling due within less than one year		
IFRS 16 lease liability	**239**	283

Terms and debt repayment schedule

	Currency	**Nominal interest rate**	**Carrying amount 2024 £000**	Carrying amount 2023 £000
IFRS 16 lease liability	**GBP**	**6.18%**	**832**	1,046

Payments relating to the leases which form the IFRS 16 liability will be made until June 2028.

Notes *(continued)*

17 Provisions

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

	Onerous contracts £000	Warranty provision £000	Deferred tax £000	Total £000
Carrying amount at 1 October 2023	357	-	300	657
Additional provision	-	5,821	-	5,821
Amounts utilised	(296)		(124)	(420)
Carrying amount at 30 September 2024	**61**	**5,821**	**176**	**6,058**

£5.2m of the warranty provision has been included as current liability as outflow of economic resources is expected within one year. The remaining provision (£0.6m) is expected to be paid in a period of greater than one year and therefore is included in non-current liabilities.

Onerous Contracts

The provision unwound in the year ending 30 September 2024 is for onerous contracts. The company 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 one contract in the offshore energy division (2023: two contracts) which are expected to be completed in the year ending September 2025.

Warranty Provisions

As noted by the Tekmar Group plc (parent company) in prior public announcements, there is a historic industry-wide issue regarding abrasion of legacy cable protection systems installed at off-shore windfarms. The precise cause of the issues in each instance is not always clear and could be as a result of a number of factors, such as the decision by windfarm developers to exclude a second layer of rock to stabilise the cables.

Since the emergence of the issue, Tekmar has been 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 has been undertaken without prejudice and on the basis that Tekmar has consistently denied any responsibility for these issues. Given the extensive uncertainties the, the RCA investigations have not concluded that the Tekmar products are defective.

Post the financial year end, the Company entered commercial settlement discussions with 2 customers to resolve disputes related to the legacy defect notifications on 9 projects with alleged CPS failures. The aggregate of the expected outflows under the proposed settlement is £5.2m in full and final settlement of the 9 claims. The provision has been estimated based on the proposed settlement value. In addition to the above a further provision of £0.6m has been made in respect of 1 legacy project with one of the above customers.

Working in collaboration with the relevant 2 customers, Tekmar have sought to explore insurance available for such matters not withstanding Tekmar's position regarding responsibility and liability. In this regard, the group have negotiated a commercial settlement with its EXPL insurance provider of £5.2m in relation to the above claims. The insurance proceeds are available for use at the discretion of the Group in settlement of the above claims, with any unused cash repayable to the insurer. The insurance receipt post year end is evidence that the insurance amount was virtually certain at year end, as such the group have recognised the insurance income in the year ended 30 September 2024 with a corresponding insurance receivable recognised in the statement of financial position at 30 September 2024.

Notes *(continued)*

Tekmar has received a further defect notification in relation to incorrect/out of specification coating application on 1 historic project. The nature of this defect notification is entirely separate to the legacy defect issues disclosed above. There are a number of units which have been installed in relation to the this legacy project and discussions with the customer are ongoing in regards to the solution. Management believe that the most likely solution would result in an outflow of economic benefits of c£0.2m to provide a resolution to the issue.

The expected outflow of economic resources from the warranty matters has been recognized as an expense on the face of the statement of profit and loss for the year ended 30 September 2024. This value is shown net of the insurance receivable in accordance with IAS 37.

Tekmar Energy Limited has taken exemption under IAS37, Paragraph 92 to not disclose information on the uncertainties in relation to timing and the assumptions used to calculate the provision 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 settlement discussions.

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 a historic industry-wide issue regarding abrasion of legacy cable protection systems installed at off-shore windfarms. The precise cause of the issues in each instance is not always clear and could be as a result of a number of factors, such as the decision by windfarm developers to exclude a second layer of rock to stabilise the cables.

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 in each case 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 2 legacy projects (in addition to those disclosed as provisions) 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 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 financial statements.

Tekmar Energy Limited 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.

Notes *(continued)*

18 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**		**Net**	
	30 Sep 2024 £000	30 Sep 2023 £000	**30 Sep 2024 £000**	30 Sep 2023 £000	**30 Sep 2024 £000**	30 Sep 2023 £000
Accelerated capital allowances	**-**	-	**(276)**	(300)	**(276)**	(300)
Other	**134**	41	**-**	-	**134**	41
Tax liabilities	**134**	41	**(276)**	(300)	**(142)**	(259)

Movement in deferred tax during the year

	1 Oct 2023 £000	**Recognised in income £000**	**Recognised in equity £000**	**30 Sep 2024 £000**
Accelerated capital allowances	(300)	24	-	(276)
Other	41	91	2	134
	(259)	**115**	**2**	**(142)**

	1 Oct 2022 £000	**Recognised in income £000**	**Recognised in equity £000**	**30 Sep 2023 £000**
Accelerated capital allowances	(196)	(104)	-	(300)
Other	27	14	-	41
	(169)	**(90)**	**-**	**(259)**

Notes *(continued)*

19 Capital and reserves

Share capital

	2024	2023
	£	£
Allotted, called up and fully paid		
Ordinary shares of £1 each	**46**	46

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Dividends

No dividends were declared or paid during the period (2023: £nil).

Other comprehensive income

All other comprehensive income related to share based payment expenses and was reflected in the profit and loss account.

Notes *(continued)*

20 Employee Benefits

Share based payments

The share-based payment charges presented in the accounts of Tekmar Energy Limited relate to a recharge of the relevant charges from Tekmar Group PLC in respects of the equity settled share-based payment plans discussed below.

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

As part of the admission to trading on AIM in June 2018, the Group granted a total of 1,750,000 share options to key executives. 250,000 of the share options granted relate to employees who are employed by Tekmar Energy Limited. All of the options granted are subject to service conditions, being continued employment with the Group until the end of the vesting period. The options include certain performance conditions which must be met, based upon earnings per share and total shareholder return targets for the financial year ending March 2020. The awards became exercisable on 20 June 2021 to the extent that the performance conditions have been satisfied.

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

The Tekmar Group Share Incentive Plan ("SIP")

The SIP is an all-employee ownership plan under which eligible employees may be awarded free and/or matching shares. The SIP operates through a UK-resident trust (the "SIP Trust"). On 13 September 2018 Tekmar Group PLC issued 42,691 shares of £0.01 each, 39,907 shares relate to employees who are employed by Tekmar Energy Limited. The shares will be held in trust for a minimum holding period of 3 years and there is a forfeiture period of 3 years during which employees who participated in the SIP will lose their Award if they resign or are dismissed from their employment.

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

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

The Tekmar Group plc Retention Plan ("Retention")

The retention is a discretionary executive share plan under which the Board may, within certain limits and subject to any applicable service conditions, grant to eligible employees nil or nominal cost options, options with a market value exercise price, conditional or restricted awards. All employees are eligible for selection to participate in the plan.

The Tekmar Group plc Save as you earn Plan ("SAYE")

The SAYE is an all-employee ownership plan under which eligible employees are invited to subscribe for options over the Company's shares which may be granted at a discount of up to 20%. On 31 March 2022 the Company launched a further SAYE plan (SAYE 2022) and options over 550,393 shares were granted to 21 staff. There is a forfeiture period of 3 years during which employees who participated in the SAYE will lose their award if they resign or are dismissed from their employment.

Tekmar Energy Limited has recognised an expense of (£65k) in respect of equity settle share based payment transactions in the period ended 30 September 2023 (2022: £13k), which has been included in staff costs. No options were exercised during the period.

The equity settled share-based payment is a recharge from Tekmar Group PLC to the subsidiary company. As the recharge is directly linked to the share based payment, the corresponding entry to the expense recognised is an adjustment to the capital contribution reserve.

Notes *(continued)*

21 Related Party transactions

Ryder Geotechnical Limited provides engineering consultancy services for the Tekmar Energy Limited. Ryder Geotechnical Limited is a company within the same ultimate parent company as Tekmar Energy limited. Costs relating to this service during the period were £nil *(2023: £86,726).*

At the year end, Tekmar Energy limited held outstanding balances owed by Ryder geotechnical limited of £nil (2023: £55,320).

22 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Tekmar Holdings Limited. Tekmar Group PLC is the ultimate parent company incorporated in England. The directors consider there to be no ultimate controlling party following admission to AIM of Tekmar Group PLC in June 2018.

The largest group in which the results of the Company are consolidated is that headed by Tekmar Group PLC, Grindon Way, Aycliffe Business Park, Newton Aycliffe, DL5 6SH. The consolidated financial statements of these groups are available to the public and may be obtained from Tekmar Group PLC, Grindon Way, Aycliffe Business Park, Newton Aycliffe, DL5 6SH.

Notes *(continued)*

23 Accounting estimates and judgements

The preparation of the financial statements under FRS101 requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The Directors consider that the following estimates and judgements are likely to have the most significant effect on the amounts recognised in the financial statements.

Recognition of Revenue

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.

For the large, offshore wind projects in the Tekmar Energy business which were not complete at year end, and require the most judgment, if the percentage completion was 1% different to management's estimate the revenue impact would be £116,830. However, the likelihood of this is small, as the percentage completion is based upon items that are physically counted at year end.

Intangible Assets

The recognition of intangible assets requires judgements for the capitalisation of staff costs. In line with IAS 38 expenditure on research activities is recognised in the profit and loss account as an expense as incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses. Senior management personnel with current industry knowledge apply judgement to ensure compliance with IAS38.

Notes *(continued)*

24 Cross guarantee

A bank cross guarantee exists incorporating a fixed and floating charge over all current and future assets of the group. The group has guaranteed the overdraft of all fellow group companies. The amount outstanding at the period end was £nil (2023: £nil).

An unlimited guarantee has been given by the company to Barclays Bank Plc.