

**OTAQ PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

# CONTENTS

---

	<b>Page</b>
<b>Company Information</b>	1
<b>Financial Highlights</b>	2
<b>Chairman's Statement</b>	3
<b>Strategic Report</b>	
Operating Review	4
Financial Review	5 - 6
Directors' Duty to Promote the Success of the Group	7
Environmental, Social and Governance	8
Principle Risks and Uncertainties	9
<b>Governance</b>	
Board of Directors	10
Report of the Directors	11 - 12
Corporate Governance	13 - 16
<b>Independent Auditor's Report</b>	17 – 20
<b>Financial Statements</b>	
Consolidated Statement of Comprehensive Income	21
Consolidated Statement of Financial Position	22
Consolidated Statement of Changes in Equity	23
Consolidated Statement of Cash Flows	24
Notes to the Consolidated Financial Statements	25 - 51
Company Statement of Financial Position	52
Company Statement of Changes in Equity	53
Notes to the Company Financial Statements	54 - 56

<b>Company registration number</b>	<b>11429299</b>
<b>Directors</b>	Mr A Reynolds Mrs S E Stoten Mr P D Newby Mr W G Watt (resigned 20 September 2023) Mr M J Enright (resigned 31 July 2023) Mr G T Clifford Dr HV Rotsch Mr M Pye (resigned 31 March 2023) Mrs J Dowds (appointed 10 April 2024)
<b>Secretary</b>	Mrs J Dowds
<b>Registered office</b>	8-3-4 Harpers Mill, South Road White Cross Lancaster England LA1 4XF
<b>Auditor</b>	Azets Audit Services Fleet House New Road Lancaster LA1 1EZ
<b>Corporate advisor and broker</b>	Dowgate Capital Limited 15 Fetter Lane London EC4A 1BW
<b>Solicitors</b>	CMS Cameron McKenna Nabarro Olswang LLP 1 West Regent Street Glasgow G2 1AP
<b>Website</b>	<a href="http://www.otaq.com">www.otaq.com</a>

## ABOUT OTAQ PLC

---

**OTAQ is a highly innovative technology company focused upon the aquaculture and offshore markets.**

OTAQ's aquaculture products, which include a sonar device (developed for Minnowtech LLC) to scan shrimp in ponds and water quality monitoring, are focused on maximising welfare and production yields. Additionally, the Company has developed what it believes to be a potentially game changing live plankton analysis product for finfish and shellfish farmers. It also continues to target opportunities in the acoustic deterrent devices market via its Sealfence product, which is used by salmon farmers, with global opportunities in a number of the major salmon production regions of the world.

OTAQ's offshore product range includes OceanSense subsea leak detection, Eagle IP camera systems, Lander seabed survey devices and Subsea electrical connectors and penetrators. It is targeting a number of growth opportunities in new territories and has a strong client base including Expro, Amphenol and National Oilwell Varco. The Company is also focused on the development of new products through this division, with the aim of increased cross-deployment of skills and technologies into the aquaculture arena.

### FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2023

#### REVENUE

---

**£4.4m**

2022\*\* £2.6M

#### GROSS PROFIT

---

**£2.2M**

2022 £0.8m

#### ADJUSTED EBITDA\*

---

**-£0.3M**

2022 -£0.26

#### LOSS PER SHARE

---

**£0.009**

2022 £0.05

#### NET DEBT

---

**£0.8m**

2022 net cash £0.76m

#### CASH AND CASH EQUIVALENTS

---

**£0.3M**

2022 £2.3M

\*Adjusted EBITDA is an alternative performance measure used internally to monitor the Group's performance. It is calculated as earnings before income, tax, depreciation, exceptional costs, impairment, share option charges and amortisation.

\*\* Comparatives are for the 9-month period to 31 December 2022

# CHAIRMAN'S STATEMENT

---

Over the past year, the Group has diligently worked to develop and expand its product portfolio within its core markets, Offshore and Aquaculture. Following initial sales of some of these new products the Group is now focused on developing new markets and commercial opportunities. Product development will continue into 2024 as the range expands to provide a suite of complementary aquaculture and offshore products.

I believe that 2024 will yield the benefit of our expanded and diversified product portfolio and I will be able to present improved revenue and profit performance for the year to 31 December 2024.

## **Strategy**

The business strategy leverages the Group's customer base in the Offshore and Aquaculture industries to market new products developed by the Group's product development team. Over time, the Group aims to offer a comprehensive suite of advanced products for the Aquaculture industry, catering to both finfish and shrimp markets, while also targeting niche markets in the Offshore sector to sustain its historical success. Additionally, the Geotracking division will utilise these newly developed products to focus on specific sectors that are expected to benefit greatly from this technology.

## **Offshore**

The Offshore division showed strong growth in 2023 with revenues up by 99% on the previous reporting period. This strong performance is expected to continue into 2024 as opportunities in new territories such as North America and other global markets are explored. Sales and marketing resource is being invested to help develop the potential in this division and accelerate revenue growth.

## **Aquaculture**


The Group has developed innovative new products for use in the Aquaculture industry. The Live Plankton Analysis System (LPAS) was commercially launched at Aquaculture UK on 15<sup>th</sup> May 2024 and the Group continues to explore the huge market potential for its shrimp sonar and water quality monitoring products.

## **Geotracking**

The Geotracking technology developed since 2020 has enjoyed some commercial success. Variants of the Geotracking device remain in development consisting of tracking devices for use in the railway industry and other similar sectors. Trials with partners in the railway industry are ongoing with orders placed and deliveries made. The potential for significant orders within this division exists and the Group is working hard to achieve this.

## **Our Team**

The continued levels of passion and enthusiasm that exists within the business have driven the results we have seen this year and the strength of the development team have positioned the Group for growth into 2024 and beyond. I am delighted to welcome Justine Dowds to the Board and thank George Watt and Matt Enright for their contribution's. I am confident the team will work diligently to deliver the performance that the Board expects over the next twelve months.



Adam Reynolds  
Non-Executive Chairman  
28 June 2024

# STRATEGIC REPORT

---

## OPERATING REVIEW

### Review of the period

During the year the Group has continued its path to return to growth and profitability without relying on its historically core product in the Aquaculture division. The Offshore division has performed well in the year .

The phytoplankton analysis product was launched commercially in April 2024, following positive feedback from key client stakeholders. With the product achieving the desired identification rates on our initial target species, we are now set to develop this strategically important market.

During the year we made sales of over 200 shrimp sonars to Minnowtech LLC, in which we have a 13.9% investment. Early indications of further orders in 2024 have been given as the product has been well received by the early adopters.

### Revenue

The Group achieved Revenue of £4.4m in the year (2022 9 mths: £2.56m) driven by £3.2m in the Offshore division (2022 9 mths: £1.62m) and £1.2m (2022 9 mths: £0.88m) in the Aquaculture division.

Sales to non-UK territories have increased by 96% compared to the nine months to December 2022 and UK sales increased by 51% compared to the same period. Non-UK sales now make up 56% of total revenue up from 50% in 2022 as the Offshore division continues to expand and become a more significant part of the Group. This revenue change is all organic.

North America sales grew to 23% of total sales in 2023 from 16% in the nine month period for 2022. Europe and Chile are consistent with last year at 15% and 5% respectively.

### Profit

The statutory loss for the year has reduced to £1.1m in 2023 (2022 9 mths: £2.30m). Gross profit increased to £2.2m (50%) in 2023 from £0.8m (31%) in the nine months to December 2022, driven by the transition to higher margin sales in the Offshore division. Effective management of the cost base throughout the year has meant administrative expenses increased only marginally to £3.3m despite being a full 3 months longer period (2022: £3.1m).

### Dividends

The Board is not recommending a final dividend (2022: £nil).

### Trading environment

The North Sea and wider oil market in which the Offshore division operates, and which impacts on demand for the Offshore division, has remained buoyant during the period. Demand in this division is expected to continue to be favourable in 2024 and will be supported by significant sales resources and dedicated product development support. Scotland is a key initial market for the Group's new live plankton analysis system (LPAS) and water quality monitoring product. Continued development of LPAS with the expansion into Australia and Chile continues in 2024.

### Innovation

The Group has continued to invest in the development of new products and improvement to existing products. Investment in research and development, capitalised as development costs, amounted to £0.58 million in the period to 31 December 2023 (2022 9 mths: £0.36 million), equivalent to 13% of Group revenue (2022 9 mths: 14%). The aim of the Group's research and development team is to deliver key projects such as LPAS, water quality monitoring and shrimp sonar devices.

### Current trading and prospects

We are pleased with the growth in sales achieved in the year, demonstrating the success of our strategy to diversify while focusing initial growth efforts in the Offshore division. Future growth is planned to be delivered by both Offshore and Aquaculture through expansion into new markets and with the launch of newly developed products. Whilst we deliver the sales growth, we continue to exercise firm controls on costs and cash in our drive to see the Group return to profitability.



Phil Newby  
Chief Executive

28 June 2024

# STRATEGIC REPORT CONTINUED

## FINANCIAL REVIEW

The strategy of the Group is to build a business of significance within the aquaculture and offshore industries with the key financing requirements being to ensure there is sufficient resource to fund new product development and working capital as the Group returns to profit.

The Group's Key Performance Indicators are aligned to revenue, profits and ensuring sufficient cash flow to deliver future growth. These three measures were above targets in the period to 31 December 2023.

The Group also monitors loss time incidents and employee absenteeism and turnover. Loss time incidents were zero (2022: zero) for the year and employee absenteeism and turnover were in line with historic levels.

### Revenue

Group revenue increased to £4.41m in 2023 from £2.56 million in the 9 months to 31 December 2022. Offshore divisional revenue increased by 100% in the period, and the Group saw a 31% increase in Aquaculture revenue. Delays in new contracts for Geotrackers led to a small decline in revenue to £45k (£59k for nine months to December 2022)).

### Profits

The preferred measure of assessing profits for the Group is explained below:

	<b>2023</b>	<b>2022</b>
	<b>12 months</b>	<b>9 months</b>
	<b>£'000</b>	<b>£'000</b>
<b>Operating loss</b>	(1,064)	(2,310)
Exceptional costs	-	1,230
Amortisation of intangible assets	277	326
Impairment of rental units	-	62
Right-of-use depreciation	168	130
Depreciation on property, plant and equipment	308	304
<b>Adjusted EBITDA*</b>	<b>(311)</b>	<b>(258)</b>

\* Earnings before income, tax, depreciation, share option charges, impairment, exceptional costs and amortisation.

The Adjusted EBITDA loss of £0.31m for the year to 31 December 2023 is a slight reduction from £0.26m in the 9 months to 31 December 2022 however the corresponding EBITDA operating margin improves to -7% EBITDA from a -10% EBITDA operating loss in the prior year. This improvement was driven by the significant increase in Gross profit in the year, £2.2m from £0.79m in the prior year. The EBITDA improvement also resulted from an increase in the gross profit percentage from 50.0% to 31.0% due to the changing revenue mix towards the Offshore division.

Operating losses reduced to £1.06m from £2.31m (in the nine months to 31 December 2022). The statutory loss before tax reduced to £1.22 million compared to £2.51 million in 2022.

### Adjusted EBITDA

There were no adjusting items in 2023 compared to £1.23m in 2022, (expenditure which does not relate directly to the core activities of the Group and is considered to be one-off in nature or in relation to investing, restructuring or financing activities).

In addition to this, there were depreciation charges of £0.31 million (2022: £0.30m), intangible amortisation charges of £0.28m (2022: £0.33m) and right-of-use depreciation charges of £0.17m (2022: £0.13m).

### Finance costs

Net finance costs totalled £0.20m (2022: £0.20m) and related to the interest charge relating to deferred acquisition payments made in the year associated with the terms of the acquisition of Marine Sense Limited in 2018, Right of use asset interest charges and predominantly interest costs relating to the CBILs loan.

### Taxation

As the Group remains in a statutory loss-making position, there is no overall Group tax charge. The Group continues to benefit from research and development tax credits which, accounts for the £0.13m (2022: £0.22m) tax credit in the year.

### Earnings and losses per share

Statutory basic losses per share reduced to 0.9p (2022: loss 5.0p) and statutory diluted losses per share totalled 0.9p (2022: loss 5.0p). These are calculated using the weighted average number of shares in existence during the year.

### Return on Capital

The Group intends to report on capital returns once sustained profitability has been achieved. Whilst capital returns are monitored currently, it is not a key performance or key results measure given the Group's high revenue growth and current statutory loss-making position.

### Dividends

No dividends have been paid in the year (2022: £nil) and no dividend is recommended. It is expected that all cash resources will be retained by the Group.

### Headcount

The Group's number of employees for 2023 stood at 45 (2022: 43).

### Share capital and share options

The Group's issued share capital as at 31 December 2023 totalled 128,144,360 Ordinary shares (2022: 127,824,881). During the year 319,479 (2022: 108,631) shares were issued as part of the employee Share Incentive Plan.

No share options were issued or exercised in the year (2022: 0) with 23,930,878 (2022: 23,930,878) share options and warrants in issue as at 31 December 2023. 350,000 (2022: 700,000) share options were cancelled in the year due to employee's leaving the company. Warrants totalling 22,499,978 were outstanding on 31 December 2023 (2022: 22,819,978).

### Cashflow and net debt

This year's cash generated from operations totalled an outflow of £0.31 million (2022: £0.88 million). Total capital expenditure amounted to £0.94 million (2022: £0.61 million). Year-end cash balances totalled £0.32 million compared to £2.34 million in 2022. The Group finished 2023 with net debt of £0.8 million compared to £0.76 million of net cash at the end of 2022 as reconciled below:

	<b>2023</b>	<b>2022</b>
	<b>12 months</b>	<b>9 months</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cash and cash equivalents</b>	316	2,337
Non-current lease liabilities	(42)	(181)
Current lease liabilities	(134)	(172)
Non-current financial liabilities	(570)	(1,054)
Current financial liabilities	(484)	(447)
Income tax asset	113	275
<b>Net (debt) / cash</b>	<b>(801)</b>	<b>758</b>

The directors consider the income tax credit to be part of net debt as the asset will be converted into cash and is not part of normal working capital requirements as with other current assets.

### Assets and liabilities

Total current assets at 31 December 2023 were £2.5m compared to total current assets of £4.24m at 31 December 2022. The key change during the year relates to the decrease in cash balances and the increase in trade and other receivables to £1.3m (2022: £0.69m) due to one significant debtor that paid in Q1 2024. Inventories have decreased to £0.81m from £0.94m with trade and other payables increasing to £0.66m from £0.50m.

Total liabilities have decreased from £2.36m as at 31 December 2022 to £1.9m as at 31 December 2023 with this decrease driven by the repayments due under the Coronavirus Business Interruption Loan Scheme (CBILs) loan. The reduction in right-of-use lease liabilities of £177k is offset by an increase in trade and other payables of £158k.

The Group remains focussed on tight cost control and cash management whilst revenue and EBITDA growth is delivered to enable the Group to become cash flow positive.

### Summary

It is pleasing to see this year's 72% increase in revenue and 177% increase in Gross Profit compared to the previous 9 months. The Group's Offshore division is trading well and there is optimism that this division and new product launches can return the Group to an EBITDA-positive position and improve the Group's cash performance. However, management and the Board will continue to exercise firm controls on costs and cash during this period of growth.



Justine Dowds  
Chief Financial Officer  
28 June 2024



# STRATEGIC REPORT CONTINUED

---

## DIRECTORS' DUTY TO PROMOTE THE SUCCESS OF THE GROUP

As required by Section 172 of the Companies Act 2006, a director of a company must act in the way that he or she considers, in good faith, would likely promote the success of the company for the benefit of its shareholders.

In doing so, the director must have regard, among other matters, to the following issues:

- Likely consequences of any decisions in the long-term;
- Interests of the company's employees;
- Need to foster the company's business relationships with suppliers, customers and others;
- Impact of the company's operations on the community and environment;
- The company's reputation for high standards of business conduct;
- Needing to act fairly between members of the company.

The Group's ongoing engagement with stakeholders and consideration of their respective interests in its decision-making process is as described below.

### **Our culture**

OTAQ has always considered a long-term perspective, from its first interaction with a prospective customer or investment and thereafter. Further detail is explained in the ESG statement on page 8.

### **Shareholders**

The primary mechanism for engaging with shareholders is through the Company's AGM and also through any annual cycle of investor meetings held alongside the publication of the Group's financial results for the half year and full year. The OTAQ website has a dedicated investor microsite to engage with investors. The Company aims to release market relevant news as the Group's activities permit. Further information is disclosed in the Corporate Governance statement on pages 13 to 16.

### **Customers**

The Group operates in global markets and developing a strong reputation is key to our ongoing success. Maintaining the strong reputation with our customer base for providing products and service of the highest quality is therefore of paramount importance. The Group undertakes regular quality reviews and is proud of its ISO9001 certification which evidences our strong commitment to customer satisfaction through our internal processes from both a manufacturing and customer engagement perspective.

### **Suppliers**

We have stable and long-standing close relationships with our key suppliers. As the Group evolves, we are forming new key partnerships with suppliers who we look to help grow as the Group enters into new sectors and territories. We look to make use of supply agreements where possible and treat our suppliers with integrity and all professional courtesies.

### **Employees**

A key to the Group's performance has been its engaged workforce. The Group's Directors, alongside our management teams, work hard to provide a positive work environment with opportunities for all our staff to grow and achieve their potential as well-respected local employees within each of our businesses' respective communities. As disclosed in the ESG statement on page 8, 27% of our staff at year-end are shareholders with 12 employees partaking in the Share Incentive Plan scheme that was constituted in October 2020.

### **Community and environment**

Our businesses are proud of their contribution to the local community both as a local employer and also of their generally low impact on the environment. More information can be found in the ESG statement on page 8.

# STRATEGIC REPORT CONTINUED

---

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

### Our culture

OTAQ's culture is one of commitment, openness and integrity working together as a small team of 45 employees to achieve the Group's goals. Leadership development is used to strengthen the core management team, both in the way the team works together and developing the individuals.

Our businesses have all built a respected place in both the local community, dealing fairly with their own staff, and further afield with customers and suppliers, some of whom are global. We expect them to continue to do this, understanding that as a public company we must continue to uphold high standards of behaviour. We always encourage decision-making for the long term as we expect our businesses to build for the future and not just for the present. As we operate globally, we are mindful and respectful of local cultural differences.

We also encourage all our employees to act commercially and treat the company as if they are its owner. 27% of our team are OTAQ shareholders.

### The environment

OTAQ recognises that environmental concerns, inclusive of climate change, must be addressed by all businesses across the globe. We recognise that many of our trading activities have an environmental impact although we work to minimise our impact on the environment. As primarily a technology company, our group is not a capital-intensive manufacturer and all of our business units look to minimise the impact in conjunction with our customers on the environments where our products are deployed.

In our remaining aquaculture markets we liaise with regulators in order to ensure the impact of acoustic deterrent devices on the surrounding cetaceans and other marine fauna is non-invasive and not detrimental to their wellbeing.

### Health and safety

Health and safety is of paramount importance to OTAQ and a key priority for our management teams. Our employees must be safe at work and we therefore aim to provide a safe and comfortable working environment for them. The Group encourages all its divisions to seek continuous improvement and promote a strong health and safety culture.

The Group routinely monitors health and safety adherence across our trading subsidiaries and monthly reports are issued and discussed regarding key health and safety indicators. As at 31 December 2023, the Group has gone 3,199 days without a loss time incident.

### Anti-bribery and corruption

OTAQ has a zero-tolerance policy on bribery and corruption in relation to all business transactions in which the Group is involved. This policy includes the offering or receiving of inappropriate gifts or making payments to influence the outcome of business transactions. We also require customers and suppliers who contract with the Group on our standard business terms to comply with anti-corruption and anti-bribery laws.

### Equal opportunities

OTAQ supports equal opportunity for all our employees and those who wish to join our Group. Our aim is to build a meritocratic work environment where everyone can make the most of their skills and talents, without discrimination or harassment. In the event of a member of staff becoming disabled, every effort is made to ensure that they can continue their employment with the Group with suitable support. It is the Group's policy that disabled people should have access to the same career path, training and promotion opportunities as all other employees.

It is a Group policy not to discriminate against staff or candidates on the basis of age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnic or national origin, religion or belief, or sex or sexual orientation.

### Human rights

OTAQ supports the provisions set out in the Modern Slavery Act and endorses the core requirements of the Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. We do not tolerate practices which contravene these international standards.

# STRATEGIC REPORT CONTINUED

---

## PRINCIPLE RISKS AND UNCERTAINTIES

### *Key personnel*

The Group's future success is dependent on its senior management and key personnel and, given the small niche-serving nature of the Group's businesses, it is always a challenge to maintain back-up support in respect of key roles or to replace key staff should they leave our organisation. Finding quality executives in our sector is a challenge and it can take a long time to replace and/or to prove the suitability of any new executive. The Group encourages succession planning wherever possible and seeks to provide a positive work environment with opportunities for career growth coupled with appropriate remuneration and, where appropriate, longer-term rewards.

### *Currency and foreign exchange*

The Group operates in foreign currency locations but invoices the vast majority of its revenue in Sterling and therefore has only insignificant exchange rate risk. The Group will continue to review the need for hedging exchange risk but has not historically needed to and doesn't expect to in the short-to-medium term. The operations of OTAQ Chile SpA are conducted in Chilean Pesos but this constitutes a minor risk due to the size of that company in relation to the Group.

### *Economic conditions*

The prevailing uncertainties in the world economy represent a risk to the Group's prospects. As a majority of the Group's revenue is now in part linked to the price of oil, a reduction in the price of oil could reduce revenue in its Offshore division.

Interest rate risk - The Group finances its operations through a mixture of equity and loans. Loans made to the Group are under the UK Government's CBILs scheme and are at a floating interest rate based on the Sterling Over Night Index Average ("SONIA") rate plus 6%, subject to this being more than 8%. If the SONIA rate is less than 2%, the interest rate payable is 8%.

### *R&D and products*

The Group continues to invest in the development of new products to meet the needs of our customers. There is a risk that our businesses may be unable to develop suitably commercial and technically reliable new products with which to maintain and drive revenue performance. The Group maintains a focus on ensuring there are ongoing R&D roadmaps for our businesses and that we continue to invest in well trained and qualified R&D and operations teams to deliver quality, well-engineered products for our customers.

### *Competition*

The Group faces competition across all its businesses and there can be no certainty that each business will achieve the market penetration it seeks. There is also no guarantee that there will be no new competition or new entrant to the market with better products. The Group seeks to mitigate this by working closely with its customers and agreeing long-term contracts as appropriate. Additionally, the Group will work with customers to understand their product development requirements and look to satisfy these where they are commercially viable.

### *Regulation*

The Group operates in regulated aquaculture markets where the use of products such as the Group's Sealfence product may require permission to be used. The Group continues to work with relevant local authorities to ensure the Group's products comply with all requirements.

### *New customers and business*

The Group's long-term value is reliant on the acquisition of new customers and new business. The Group faces uncertainty in terms of the timing of the delivery of new customers and business. The Group continues to work hard to develop products with commercial value and develop existing and new customer relationships.

## **Future Developments**

The future development of the Group is dealt with in the Chairman's Statement and the Chief Executive's report.

## **Charitable Donations and Community Support**

No charitable or political donations were made in the year (2022: £nil).

## GOVERNANCE

---

### BOARD OF DIRECTORS

#### **Adam Reynolds N Chairman**

Adam is a veteran of the small cap market and a champion of growth companies. He brings with him a wealth of knowledge and experience across various sectors and helps companies realise their potential. He began his career in the City in 1980 with stockbrokers Rowe Rudd, following which he joined public relations business Basham & Coyle heading their Investor Relations Division. Thereafter he established his own PR/IR and Corporate Finance firm, which he subsequently floated on AIM in 2000 before selling the company in 2004. More recently, Adam has been a major investor in and Non-Executive Chairman or Non-Executive Director of a number of small cap growth companies.

#### **Phil Newby E Chief Executive**

Phil joined the OTAQ Group in June 2014 as commercial director and was appointed chief executive in March 2016. From 1993 to 1995, Phil was general manager of Unique Systems LLC, an offshore equipment rental business operating in the Middle East and India. From 1996 to 2011 Phil was MD of Trelleborg Offshore Barrow-In-Furness Limited, a business that supplied flowline and cable protection to the offshore oil and gas industry. In 2011 Phil joined Unique Systems Russia LLC which was developing umbilical systems for commercial diving operations. Phil has now operated at CEO plc level for several years and has the pre-requisite skills.

#### **Justine Dowds E (appointed 10 April 2024) Chief Financial Officer**

Justine began working as a consultant for the OTAQ Group in August 2023, and was appointed as a Director in April 2024. She has held a number of senior positions in a range of high growth companies across various sectors including property development, aviation charter services, IT and construction. Most recently Justine was Managing Director of GB3 Limited, an IT Managed Services company, having joined the company in 2012 as Finance and Operations Director. Before GB3 Limited, Justine worked for United Utilities and AstraZeneca having previously qualified as a Chartered Accountant with Arthur Andersen.

#### **Harald Rotsch E Chief Technology Officer**

With a PhD in Physics, Harald has over 20 years' engineering experience in the marine environment with responsibility for leading on design, installation and commissioning on over 30 offshore and marine related projects. Prior to joining the Group as Technical Director of OTAQ Offshore Limited (previously named MarineSense Limited) in 2019, he founded MarineSense in 2007 where he was Managing Director until the company was bought by the Company in 2018. Harald has recently commenced his role at CTO plc level but his significant previous experience means he has the pre-requisite skills for the CTO role.

#### **Sarah Stoten N R**

Sarah is a graduate in Marine Biology and Oceanography from the National Oceanography Centre at the University of Southampton. She works for AIM-quoted Franchise Brands plc, initially in Corporate Development and more recently in post-acquisition integration where she successfully introduced new key services and processes across the franchise network. Her current role is restructuring and growing a newly acquired franchise network whilst integrating it into the Group.

#### **Giles Clifford N R**

Since 2015, Giles has been Director of Business Development for Brendon Street Investments Limited and, on behalf of the Wray Family Office, leads on various key projects and investment company holdings, providing review, insight and strategic commercial financial support. Previously, Giles was Finance Director of Warner Bros Studios Leavesden, and before that Head of Finance before moving to Head of Business Improvement at Wembley National Stadium Limited, where he was a key team member during the new stadium financing and build phase, and then running the new stadium for its first 8 years.

#### **Matt Enright E (resigned 20 September 2023) Chief Financial Officer**

#### **George Watt N I (resigned 20 September 2023)**

#### *Committee membership*

*E Executive, N Non-Executive, R Remuneration Committee*

## GOVERNANCE

---

### REPORT OF THE DIRECTORS

The directors of OTAQ PLC submit their report for the financial year ended 31 December 2023.

#### Principal Activity and Business Review

This information is included within the Strategic Report above, as part of the 'Review of the Business' under the Amendment to the Companies Act 2006 of s.414C(2a).

#### Share Capital

The share capital of the Group is comprised of 128,144,360 ordinary shares each with equal voting rights. Euroblue Investments Limited owns 19.3% and Dowgate Capital owns 11.1% of the share capital as at 31 December 2023.

#### Directors' indemnity insurance

As part of the Group, the directors of the Company are covered by insurance against the consequences of actions brought against them in relation to their duties for the Company. Such provision remains in force as at the date of approving the directors' report.

#### Directors

Each director is proposed for re-election annually by the Nominations Committee. The Company has obtained Directors' and Officers' liability insurance, as permitted by the Company's articles.

The Board comprised the following directors who served during the year and up to the date of this report:

Mr A Reynolds (Non-Executive Chairman)  
Mrs SE Stoten (Non-Executive)  
Mr PD Newby  
Mr MJ Enright (resigned 31 July 2023)  
Mr WG Watt (Non-Executive, resigned 20 September 2023)  
Mr GT Clifford (Non-Executive)  
Dr HV Rotsch  
Mr MDF Pye (Non-Executive, resigned 31 March 2023)  
Mrs J Dowds (appointed 10 April 2024)

#### Results and Dividends

The results for the year are set out on page 21. The Group did not pay a dividend in the year and no dividend is recommended to be paid.

#### Employee Consultation

The Group's policy is to consult and discuss with employees' representatives matters likely to affect their interests. The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on various factors affecting the performance of the Group.

#### Disabled Persons

Applications for employment by disabled persons are given full and fair consideration for accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is given to retrain them in order that their employment with the Group may continue. It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.

#### Going Concern

The consolidated financial statements have been prepared on a going concern basis. The Directors have taken note of guidance issued by the Financial Reporting Council on Going Concern Assessments in determining that this is the appropriate basis of preparation of the financial statements. The Group ended the period to 31 December 2023 with cash balances of £0.32 million.

The Group entered the new financial year with a strong portfolio of new products and a healthy pipeline of products in development. While the global economic environment remains uncertain, the Directors consider that the Group is appropriately placed to manage its business risks successfully.

The Group has conditionally raised £1.7m by way of Placing Convertible Loan notes as disclosed in the circular dated 26 June 2024 providing the funding to allow the Group to continue its product development as well as providing working capital required until the forecasted growth makes the Group cash generative. A broker option for up to a further £1m Broker Option Convertible Loan Notes has also been agreed. The Placing commitments are legally binding, and funds will be available on 12th July subject only to shareholder approval at the general meeting on 12th July. The Directors and broker, having canvassed the % of shareholders required to pass the resolutions, are highly confident of success at the general meeting and hence believe the funding will complete as planned.

The Directors therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis in preparing the Annual Report and Accounts. However, there is technically a small chance that the shareholder resolutions required for the Placing Convertible Loan Notes are not passed and on this basis, the funding cannot be considered certain until 12 July 2024. These conditions are necessarily considered to represent a material uncertainty that may cast significant doubt over the Group's and the Company's ability to continue as a going concern.

#### Payment Policy

The Group's policy is to agree terms and conditions with suppliers in advance and to pay agreed invoices in accordance with the agreed terms of payment.

#### Simplified energy and carbon reporting

In compliance with the "The Companies Act 2006 (Strategic Report and Directors' Report) in particular Part 7A to Schedule 7 "Dealing with energy and carbon disclosures by large unquoted companies". Please find the disclosure of energy and CO2 information for the Group for the year ending 31 December 2023 which relate entirely to the UK.

The information includes the reporting of greenhouse gas emissions (scope 1, 2 and 3), energy consumption data for fuels, electricity and transport, and also a CO2 intensity ratio. Group generated 220 tonnes (2022: 78 tonnes) of CO2 and consumed 215 MWh (2022: 116 MWh) of Energy within the 2023 financial period in its UK operations.

<b>Emissions (CO2 tonnes)</b>	<b>Scope</b>	<b>2023</b>	<b>2022</b>
Direct emissions from the purchase of gas	1	8	6
Indirect emission from the purchase of electricity	2	39	23
Business travel	3	173	49
	<b>TOTAL</b>	<b>220</b>	<b>78</b>
<b>Consumption (kWh)</b>			
Electricity		188,809	98,033
Gas		26,604	17,838
		<b>215,413</b>	<b>115,871</b>
<b>CO2 Intensity Ratio:</b>			
CO2 tonnes per employee		5	1.8

The Group promotes energy efficiency by its use of electric vehicles and continues to review new methods of reducing energy consumption.

On behalf of the Board



Phil Newby  
28 June 2024

# GOVERNANCE

---

## CORPORATE GOVERNANCE

### Introduction

I have pleasure in introducing the Corporate Governance Statement. In accordance with the requirements of being listed on the growth section of the Aquis Stock Exchange, we recognise that the application of sound corporate governance is essential in the Group's ongoing success and adopt the principal provisions of the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies ("QCA guidelines", [www.theqca.com/corporate-governance](http://www.theqca.com/corporate-governance)). This report sets out our approach to OTAQ's governance. Principle one of the QCA code is covered in page 2. Principle three of the QCA code is covered in page 8. Principle four of the QCA code is covered in page 13.

### Board composition

The Board is responsible to the shareholders and sets the Group's strategy for achieving long-term success. It is also ultimately responsible for the management, governance, controls, risk management, direction and performance of the Group.

During the period, the Board comprised the Non-Executive Chairman, three further Non-Executive Directors and three Executive Directors.

During the period, the Group has had two independent Non-Executive Directors. At the same time, the Company considers that these Non-Executive Directors act independently of the Executive management. The value of their business knowledge alongside their developing understanding of the Group's business model ensures that they will be best placed to appropriately police adherence to the Group's enduring strategy.

### Board operation

The Board is responsible for the Company's strategy and for its overall management. The operation of the Board is documented in a formal schedule of matters reserved for its approval, which will be reviewed annually. These include (although not exhaustively) matters relating to:

- the Group's strategic aims and objectives;
- the approval of significant acquisitions and expenditure;
- financial reporting, financial controls, and dividend policy;
- the approval of the Group's annual budget;
- the structure, capital and financing of the Group;
- internal control, risk and the Group's risk appetite;
- effective communication with shareholders; and
- any changes to Board membership or structure.

### Board decision making

The Board has a schedule of matters covering business, financial and operational matters ensuring that all areas of Board responsibility are addressed throughout the year. The Chairman, supported by the Company Secretary, is responsible for ensuring the Directors receive accurate and timely information. The Company Secretary compiles the Board papers which are circulated to Directors in advance of meetings. The Company Secretary prepares and provides minutes of each meeting, and every Director is aware of the right to formally minute any concerns.

### Board Committees

The Board has delegated specific responsibilities to the Remuneration Committees, details of which are set out below.

The committee has written terms of reference setting out its duties, authority and reporting responsibilities. Copies of all the Committee terms of reference are available on request from the Company Secretary. The terms of reference of each Committee are kept under continuous review to ensure they remain appropriate to the Group. Each Committee is comprised of one or two of the non-executive directors of the Company.

The board has chosen to cease the Audit Committee as the directors consider that the current arrangements with the external Auditor are effective. The Board regularly monitors and reviews the Auditors independence, objectivity, and effectiveness. The Auditor reports its findings to board members and the Board considers all reports received from the Auditor.

As all Board appointments are formally considered by the Board, the Board considers there is no need for a Nominations Committee.

### Remuneration Committee

The Remuneration Committee is chaired by Sarah Stoten, Non-Executive Director. The other member of this Committee is Giles Clifford, Non-Executive Director. The Remuneration Committee reviews the performance of the Executive Directors and makes recommendations to the Board on matters relating to their remuneration and terms of employment. The

Remuneration Committee also makes recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The remuneration and terms and conditions of appointment of the non-executive directors of the Company are set by the Board. The Chief Executive and Chief Financial Officer are invited to attend for some parts of the Committee meetings where their input is required although they do not take part in any discussion on their own benefits and remuneration. The Remuneration Committee meets at least once per year.

#### ***Board effectiveness***

Biographies of the Board on page 11 sets out the skills, knowledge and experience of the Board. This mix of capabilities enables them to constructively challenge strategy and review performance. Board effectiveness is subject to review and detailed in the performance evaluation section of this report.

#### ***Performance evaluation***

The Chairman discusses with each of the Non-Executive Directors their ongoing effectiveness. He is also responsible for the Executive composition of the Board. The Chief Executive assesses each Executive Director and provides informal feedback on their performance on a timely basis.

#### ***Time commitments***

All Directors are aware of the time required to fulfil the role prior to appointment and have confirmed their ability to meet the required commitment prior to appointment. This requirement is also included in their letters of appointment or service contract. The Board is satisfied that the Chairman and each of the Non-Executive Directors can devote sufficient time to the Group.

#### ***Development***

The Company Secretary ensures that all Directors are made aware of changes in relevant legislation and regulations, with the assistance of the Company's advisers where appropriate. Executive Directors are subject to the Company's performance development review process and will obtain additional professional training as appropriate.

#### ***External appointments***

In the appropriate circumstances, the Board may authorise Executive Directors to take Non-Executive positions in other companies and organisations, provided the time commitment does not impact upon the Director's ability to perform their role, since such appointments should widen their experience. The Chairman will approve any such appointment.

#### ***Conflicts of interest***

The Board will regularly review any Directors' conflicts of interest. The Company's Articles of Association provide for the Board to authorise any actual or potential conflicts of interest.

#### ***Independent professional advice***

Directors have access to independent professional advice at the Company's expense. In addition, they have access to the advice and services of the Company Secretary who is responsible to the Board for advice on corporate governance matters.

#### ***Directors' and Officers' liability insurance***

The Company has obtained Directors' and Officers' liability insurance as permitted by the Company's articles.

#### ***Election of Directors***

In accordance with the Company's Articles of Association, each Director, as appropriate, will be proposed for re-election each year.

#### ***Remuneration Report***

The Remuneration Committee meets regularly and, having taken the relevant advice, determines on behalf of the Board the remuneration package of the executive directors and other senior executives.

The Remuneration Committee aims to ensure that remuneration packages are competitive and designed to attract, retain and motivate directors and executives of the right calibre. The committee has regard to the levels of remuneration in comparable organisations and is sensitive to salary levels in the wider community. It operates performance related reward policies to ensure there is a correct balance between fixed and variable remuneration.

#### ***Internal controls***

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group.

The principal components of the Group's internal control system include:

- overview of the day-to-day activities of the Group by the Executive Directors;
- all proposed acquisitions are comprehensively reviewed by the Board;



- a comprehensive annual budgeting process which is approved by the Board;
- a decentralised organisational structure with defined levels of responsibility for all trading subsidiaries, to encourage principled entrepreneurial behaviour whilst minimising risks;
- rotational visits by the Board to the trading subsidiaries;
- formal reporting lines and management information reporting between divisions and senior management;
- detailed monthly reporting of performance against budget and forecast; and
- central control over key areas such as cash/banking facilities and capital expenditure.

The Group continues to assess and develop its internal control system to ensure compliance with best practice for a Group of its size.

### ***Relations with shareholders***

The Group will maintain communications with institutional shareholders through individual meetings with Executive Directors, particularly following publication of the Group's interim and full year results. All shareholders are also encouraged to attend the Annual General Meeting which is on Wednesday 31<sup>st</sup> July 2024. This is the main opportunity for all shareholders to meet with all the Executive and Non-Executive Directors and where the Group's activities are considered and questions answered.

General information about the Group is also available on the Group's website ([www.otaq.com](http://www.otaq.com)). This includes a Group overview, detailed information about our trading businesses, details of all recent Group announcements and other relevant investor information.

### ***Whistleblowing***

The Group has in place a whistleblowing policy which sets out the formal process by which an employee of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters.

### ***Promoting a culture that is based on ethical values and behaviours***

The Board recognises that its decisions regarding strategy and risk will impact the corporate culture of the Group as a whole and that this will impact the performance of the Group. The Board is aware that the tone and culture set by the Board will greatly impact all aspects of the Group as a whole and the way that employees behave. The Group's human resources include and foster the promotion of policies on equality, inclusion and diversity. The corporate governance arrangements that the Board has adopted are designed to ensure that the Group delivers long term value to its shareholders, and the shareholders have the opportunity to express their views and expectations for the Group in a manner that encourages open dialogue with the Board.

A large part of the Group's activities is centred upon an open and respectful dialogue with employees, customers and other key stakeholders. The importance of sound ethical values and behaviours is crucial to the ability of the Group to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that is embedded within the operations and working life of OTAQ.

### ***Statement of Directors' Responsibilities***

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

Company law requires the directors to prepare group and company financial statements for each financial year. The directors have elected under company law and are required under the Listing Rules of the Financial Conduct Authority to prepare the group financial statements in accordance with UK-adopted International Accounting Standards. The directors have elected under company law to prepare the company financial statements in accordance with UK-adopted International Accounting Standards.

The group and company financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position of the group and the company and the financial performance of the group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 of the group and the company and of the profit or loss of the group for that period.

In preparing each of the group and company financial statements, the directors are required to:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and accounting estimates that are reasonable and prudent;
- c) state whether they have been prepared in accordance with UK-adopted International Accounting Standards ;
- d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and the company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with

the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Directors' statement pursuant to the Disclosure and Transparency Rules**

Each of the Directors, whose names and functions are listed in the Directors' report confirm that, to the best of each person's knowledge:

- a. the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and loss of the company and the undertakings included in the consolidation taken as a whole; and
- b. the Directors' report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the OTAQ website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

#### **Provision of information to the 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 Auditor is aware of that information.

#### **Auditor**

The Auditor, Azets Audit Services, has expressed willingness to continue in office. In accordance with section 489(4) of the Companies Act 2006, a resolution to re-appoint Azets Audit Services will be proposed at the Annual General Meeting.

#### **Annual General Meeting**

The Annual General Meeting of the Company will be held on Wednesday 31<sup>st</sup> July 2024 at 11:00am at The Barracks, South Road, White Cross, Lancaster, England, LA1 4XF.



**Adam Reynolds**  
**Non-Executive Chairman**  
28 June 2024

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OTAQ PLC

## Opinion

We have audited the financial statements of OTAQ PLC (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 December 2023 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statement of financial position, the consolidated and parent company statement of changes in equity, the consolidated statement of cash flows and the consolidated and parent company notes to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2023 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the Companies Act 2006: 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 group and parent 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 as applied to listed public interest entities 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 2 (d) in the accounting policies of the financial statements. As stated in that note the directors have prepared forecasts assessed the group and company's ability to continue as a going concern for a period of 12 months from the approval of the financial statements. The directors have concluded they have a reasonable expectation of sufficient cash available to meet the liabilities as they fall due throughout that period based on the group and company's ability to achieve the forecasted trade for the 12 month period and the injection of additional funding which is contingent on the basis of shareholders passing a resolution on the Convertible Loan Notes on 12th July 2024.

The directors have prepared forecasts including the funding on the basis that the directors are highly confident of success at the general meeting and hence believe the funding will complete as planned. The directors acknowledge there is a material uncertainty over the group and company's ability to continue as a going concern without the receipt of the funding expected.

If the shareholders resolution on the Convertible Loan Note was rejected, OTAQ PLC would need to seek and raise alternative external funds to maintain their going concern status.

As stated in note 2 (d), this fact indicates that a material uncertainty exists that may cast significant doubt on the Group and Company's ability to continue as going concerns. Our opinion is not modified in respect of this matter.

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

### Our approach to the audit

In designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we considered the areas involving significant accounting estimates and judgements made by those charged with governance which involved consideration of future events that are inherently uncertain and as such, the valuation of goodwill was considered to be a key audit matter.

We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Our audit testing included substantive testing on significant transactions, balances and disclosure, the extent of which was based on factors such as our overall assessment of the control environment.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of the most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter description	How the matter was addressed in the audit
<b>Valuation, classification and disclosure of goodwill</b>	
Goodwill of £1,031k represents 19% of total group equity and the group has made a loss in the current and previous financial period.	We obtained a breakdown of goodwill and reviewed the basis on which this was allocated to cash generating units.
There is a risk that the requirements of paragraph 134 of IAS 36 'Impairment of assets' have not been appropriately applied resulting in an incorrect valuation and overstatement of the period end balance sheet.	We obtained management's impairment assessment and reviewed and challenged the assumptions and judgements impacting on the calculations.  We reviewed the disclosure included within the notes to the financial statements.

### Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements. In general, misstatements, including omissions, are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

<b>Overall materiality</b>	<b>Group</b> 88,600	<b>Parent company</b> 61,300
<b>Basis for determining materiality</b>	2% of annualised turnover	2% of net assets
<b>Rationale for benchmark applied</b>	As a trading company with multiple income streams growth in turnover is a key driver for the shareholders.	The company is a holding company with key metrics being future potential growth and a healthy balance sheet
<b>Basis for determining performance materiality</b>	75% of overall materiality	75% of overall materiality
<b>Reporting of misstatements to the audit committee</b>	Misstatements above £4,400 and misstatements below that threshold that we considered it necessary to report on qualitative grounds.	Misstatements above £3,000 and misstatements below that threshold that we considered it necessary to report on qualitative grounds.

## OTAQ PLC

### Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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 course of 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 this gives rise to 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 our audit:

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

### Matters on which we are required to report by exception

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

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited 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, 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 group's and parent 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 group or the parent 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.

### Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

## OTAQ PLC

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the entity through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### **Other matters which we are required to address**

We were re-appointed by the board of OTAQ PLC on the 15 June 2023 to audit the financial statements for the period ending 31 December 2023.

Our total uninterrupted period of engagement is 1 year, covering only the period ending 31 December 2023.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

### **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.

*Azets Audit Services*

**Susanna Cassey (Senior Statutory Auditor)**  
For and on behalf of Azets Audit Services

30 June 2024

**Chartered Accountants**  
**Statutory Auditor**

Fleet House  
New Road  
Lancaster  
United Kingdom  
LA1 1EZ

# OTAQ PLC

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Year ended 31 December 2023 £'000	9 months ended 31 December 2022 £'000
<b>Revenue</b>	4	4,407	2,561
Cost of sales		(2,210)	(1,767)
<b>Gross profit</b>		<b>2,197</b>	<b>794</b>
Administrative expenses		(3,261)	(3,104)
<b>Operating loss</b>	5	<b>(1,064)</b>	<b>(2,310)</b>
Other operating income	5	-	-
Finance income	7	11	1
Finance costs	7	(163)	(203)
<b>Loss before taxation</b>		<b>(1,216)</b>	<b>(2,512)</b>
Taxation	8	126	217
<b>Loss for the year</b>		<b>(1,090)</b>	<b>(2,295)</b>
<b>Attributable to:</b>			
Equity shareholders of the Group		(1,090)	(2,295)
		(1,090)	(2,295)
<b>Other comprehensive income</b>			
<b>Items that will be reclassified subsequently to profit and loss:</b>			
Exchange differences on translation of foreign operations		(-)	(-)
<b>Total comprehensive expense for the year</b>		<b>(1,090)</b>	<b>(2,295)</b>
<b>Attributable to:</b>			
Equity shareholders of the Group		(1,090)	(2,295)
		(1,090)	(2,295)

As per note 9, the loss for the year arises from the Group's continuing operations. Losses Per Share were 0.9p (2022: loss 5.0p) and Diluted Losses Per Share were 0.9p (2022: loss 5.0p).

The accompanying notes on pages 25 to 51 form an integral part of these consolidated financial statements.

# OTAQ PLC

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Note	31 December 2023 £'000	31 December 2022 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	633	582
Right-of-use assets	11	167	364
Unlisted investments	13	511	511
Intangible assets	12	3,317	3,008
		<hr/>	<hr/>
<b>Total non-current assets</b>		4,628	4,465
<b>Current assets</b>			
Trade and other receivables	15	1,299	689
Income tax asset	16	113	275
Inventories	17	810	937
Cash and cash equivalents	18	316	2,337
		<hr/>	<hr/>
<b>Total current assets</b>		2,538	4,238
		<hr/>	<hr/>
<b>Total assets</b>		<b>7,166</b>	<b>8,703</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	19	1,281	1,278
Share premium	19	5,850	5,834
Deferred shares	19	5,286	5,286
Share option reserve	25	134	134
Merger relief reserve	20	9,154	9,154
Reverse acquisition reserve	20	(6,777)	(6,777)
Other reserve	20	400	400
Revenue reserve	20	(10,053)	(8,963)
		<hr/>	<hr/>
<b>Total equity</b>		5,275	6,346
<b>Non-current liabilities</b>			
Deferred tax	23	-	-
Financial liabilities	24	570	1,054
Lease liabilities	11	42	181
		<hr/>	<hr/>
Total non-current liabilities		612	1,235
<b>Current liabilities</b>			
Trade and other payables	22	661	503
Financial liabilities	24	484	447
Deferred payment for acquisition	21	-	-
Lease liabilities	11	134	172
		<hr/>	<hr/>
<b>Total current liabilities</b>		1,279	1,122
		<hr/>	<hr/>
<b>Total liabilities</b>		1,891	2,357
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>7,166</b>	<b>8,703</b>
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes on pages 25 to 51 form an integral part of these consolidated financial statements. The financial statements were approved by the board of directors and authorised for issue on 28<sup>th</sup> June 2024. The results of the parent company are included on pages 52 to 56.

Signed on its behalf by J Dowds:

*Justine Dowds*

Company number: 11429299



# OTAQ PLC

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	Share capital £'000	Share premium £'000	Deferred shares £'000	Share option reserve £'000	Merger relief reserve £'000	Reverse acquisition reserve £'000	Other reserve £'000	Revenue reserve £'000	Equity attributable to owners of the parent company £'000	Total equity £'000
<b>Balance at 1 April 2022</b>		<b>5,657</b>	<b>3,280</b>	-	<b>150</b>	<b>9,154</b>	<b>(6,777)</b>	<b>384</b>	<b>(6,668)</b>	<b>5,180</b>	<b>5,180</b>
Loss for the period		-	-	-	-	-	-	-	(2,295)	(2,295)	(2,295)
Exchange differences on translating foreign operations		-	-	-	-	-	-	-	-	-	-
Total comprehensive expense for the period		-	-	-	-	-	-	-	(2,295)	(2,295)	(2,295)
Sub-division and conversion of shares		(5,286)	-	5,286	-	-	-	-	-	1,338	1,338
Issues of shares		907	2,554	-	-	-	-	-	-	-	-
Transfer on exercised and cancelled options	25	-	-	-	(16)	-	-	16	-	20	20
<b>Balance at 31 December 2022</b>		<b>1,278</b>	<b>5,834</b>	<b>5,286</b>	<b>134</b>	<b>9,154</b>	<b>(6,777)</b>	<b>400</b>	<b>(8,963)</b>	<b>6,346</b>	<b>6,346</b>
<b>Balance at 1 January 2023</b>		<b>1,278</b>	<b>5,834</b>	<b>5,286</b>	<b>134</b>	<b>9,154</b>	<b>(6,777)</b>	<b>400</b>	<b>(8,963)</b>	<b>6,346</b>	<b>6,346</b>
Loss for the year		-	-	-	-	-	-	-	(1,090)	(1,090)	(1,090)
Exchange differences on translating foreign operations		-	-	-	-	-	-	-	-	-	-
Total comprehensive expense for the year		-	-	-	-	-	-	-	(1,090)	(1,090)	(1,090)
Sub-division and conversion of shares	19	-	-	-	-	-	-	-	-	-	-
Issues of shares	19	3	16	-	-	-	-	-	-	19	19
Transfer on exercised and cancelled options	25	-	-	-	-	-	-	-	-	-	-
<b>Balance at 31 December 2023</b>		<b>1,281</b>	<b>5,850</b>	<b>5,286</b>	<b>134</b>	<b>9,154</b>	<b>(6,777)</b>	<b>400</b>	<b>(10,053)</b>	<b>5,275</b>	<b>5,275</b>

# OTAQ PLC

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	31 December 2023 £'000	31 December 2022 £'000
<b>Cash flows from operating activities</b>			
Operating loss		(1,064)	(2,310)
Adjustments for non-cash/non-operating items:			
Depreciation of property, plant and equipment	10	308	304
Impairment of property, plant and equipment	10	-	62
Loss on disposal of property, plant and equipment	5	10	6
Depreciation of right-of-use assets	11	168	130
Adjustment to right-of-use assets	11	10	
Loss on disposal of right-of-use assets	5	19	
Amortisation of intangible assets	12	277	181
Impairment of intangible assets	12	-	145
		<hr/>	<hr/>
		(272)	(1,482)
Changes in working capital:			
Decrease / (increase) in inventories		127	245
Decrease / (increase) in trade and other receivables		(608)	1,077
Increase in trade and other payables		158	(740)
		<hr/>	<hr/>
Cash from operations		(595)	(900)
Taxation		289	17
		<hr/>	<hr/>
Net cash from operating activities		(306)	(883)
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Purchases of tangible fixed assets	10	(367)	(35)
Purchases of intangible assets	12	(582)	(364)
Interest received	7	11	1
Deferred payment of acquisition	21	-	(213)
		<hr/>	<hr/>
Net cash used in investing activities		(938)	(611)
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Proceeds on issue of shares		-	3,611
Expenses of share issues		-	(150)
Repayment of loans		(447)	(312)
Principal element of lease payments	11	(167)	(123)
Interest paid	7	(163)	(203)
		<hr/>	<hr/>
Net cash from financing activities	24	(777)	2,823
		<hr/>	<hr/>
Net increase / (decrease) in cash and cash equivalents		(2,021)	1,329
Cash and cash equivalents at beginning of year		2,337	1,008
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>		<b>316</b>	<b>2,337</b>
		<hr/> <hr/>	<hr/> <hr/>

# OTAQ PLC

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Reporting entity

OTAQ plc (“the Company”) and its subsidiaries (together, “the Group”) develop, provide and support the technology for use in the aquaculture industry and offshore oil & gas industries. The principal activity of the Company is that of a holding company for the Group as well as performing all administrative, corporate finance, strategic and governance functions of the Group. The Company is a public limited company, which is listed on the Aquis Stock Exchange and domiciled in England and incorporated and registered in England and Wales. The address of its registered office is 8-3-4 Harpers Mill, South Road, White Cross, Lancaster, England, LA1 4XF. The registered number of the Company is 11429299.

The principal accounting policies adopted by the Group and Company are set out in note 2.

### 2. Accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied unless otherwise stated.

#### (a) Basis of preparation

The consolidated financial statements of OTAQ plc have been prepared in accordance with International Financial Reporting Standards in conformity with the requirements UK-adopted International Accounting Standards applicable to companies reporting under IFRS and the Companies Act 2006. The consolidated financial statements have been prepared under the historical cost convention, as modified for any financial assets which are stated at fair value through profit or loss. The consolidated financial statements of OTAQ plc are presented in pounds sterling, which is the presentation currency for the consolidated financial statements. The functional currency of each of the group entities is Sterling apart from OTAQ Chile SpA which is the Chilean Peso. Figures have been rounded to the nearest thousand.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The Group has taken advantage of the audit exemption for one of its subsidiaries, OTAQ Aquaculture Limited (company number SC498922) by virtue of s479A of the Companies Act 2006. The Group has provided a parent guarantee to this subsidiary which has taken advantage of the exemption from audit. The parent company has applied FRS101 in its entity statements.

#### (b) Basis of consolidation

The Group’s financial statements consolidate the financial information of OTAQ plc and the entities it controls (its subsidiaries) drawn up to 31 December each year. In years prior to 31 December 2022, the financial statements were drawn up to 31 March each year. The year end date was amended on 16 December 2022 in order to align with investor expectations. All business combinations (except for the Hertsford Capital plc reverse takeover on 31 March 2020 which used the merger accounting method) are accounted for by applying the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Transaction costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

All subsidiaries are entities in which the Group owns sufficient share capital and has sufficient voting rights in order to govern the financial and operating policies. The percentage holdings of the Company in its subsidiaries is set out in note 14. The subsidiaries have been fully consolidated from the date control passed. All intra-group transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. The accounting policies of subsidiaries are amended where necessary to ensure consistency with the policies adopted by the Group.

**(c) Foreign currency transactions**

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the Consolidated statement of comprehensive income.

**(d) Going Concern**

The Group is developing new products for its core markets in Offshore and Aquaculture as well as the new Geotracking division. The Group has invested heavily in the development and procurement of these products and has achieved this through use of its cash reserves as well as the funds received following the share issue in November 2022. As at 31 December 2023, the Group had cash and cash equivalents of £316,000.

The Group has conditionally raised £1.7m by way of Placing Convertible Loan Notes as disclosed in the circular to shareholders dated 26 June 2024, providing the funding to allow the Group to continue its product development as well as providing working capital required until the forecasted growth makes the Group cash generative. A broker option for up to a further £1m Broker Option Convertible Loan Notes has also been agreed. The Placing commitments are legally binding, and funds will be available on 12<sup>th</sup> July subject only to shareholder approval at the general meeting on 12<sup>th</sup> July. The Directors and broker, having canvassed the % of shareholders required to pass the resolutions, are highly confident of success at the general meeting and hence believe the funding will complete as planned.

The directors have prepared and reviewed the Group's funding requirements over the next 18 months and are confident that with the proceeds of the Placing the Group has sufficient financial resources to meet its financial commitments and strategic objectives. The forecasts generated by the Group, which cover the period to January 2026 and have been modelled for reductions in anticipated revenue, demonstrate sufficient ongoing demand to satisfy liabilities as they fall due. For these reasons the directors continue to adopt the going concern basis in preparing Group's financial statements. As the shareholder resolutions required are outside the control of the directors, the funding cannot be considered certain. These conditions are necessarily considered to represent a material uncertainty that may cast significant doubt over the Group's and the Company's ability to continue as a going concern. It nevertheless remains appropriate to prepare the financial statements on a going concern basis and the financial statements do not include any adjustments that would result from that basis of preparation being inappropriate.

**(e) Functional and presentational currency**

The financial statements are presented in pounds sterling, which is the Group's functional and presentation currency. All financial information presented has been rounded to the nearest thousand.

**(f) Segmental reporting**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segmental information is set out in note 4.

**(g) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of sales related taxes.

Revenue related to sales of stock is recognised when goods are dispatched and the title and control over a product have passed to the customer, in accordance with agreed delivery terms.

Revenue under service contracts is recognised over the period in which the performance obligation relating to the agreed contract are satisfied. For rentals of the Group's assets, revenue is recognised on

a monthly basis based on the agreed rate and number of days for which the asset is on hire to the customer. Some contractual revenue is invoiced in advance and gives rise to a contract liability which is recognised as deferred income.

**(h) Leases**

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects

that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy. Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Administrative expenses' in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

**(i) Finance expense**

Finance expense comprises interest expense on borrowings. All borrowing costs are recognised using the effective interest method.

**(j) Income tax**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to, the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are measured on an undiscounted basis using the tax rates and tax laws that have been enacted or substantively enacted by the date and which are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which differences can be utilised. An asset is not recognised to the extent that the transfer or economic benefits in the future is uncertain.

Amounts due under the HMRC Research and Development tax credit scheme are accounted for based on the amount of qualifying expenditure in the year and assuming 21% of the claim is paid in cash once applicable losses and future profitability have been reviewed.

**(l) Property, plant and equipment**

Property, plant and equipment assets are recognised initially at cost. After initial recognition, these assets are carried at cost less any accumulated depreciation and any accumulated impairment losses. Cost comprises both the aggregate amount paid and the fair value of any other consideration given to acquire the asset, and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is computed by allocating the depreciable amount of an asset on a systematic basis over its useful life and is applied separately to each identifiable component.

The following bases and rates are used to depreciate classes of assets:

Systems for rental	-	straight line over 4 years
Plant and equipment	-	straight line over 2 to 5 years
Motor vehicles	-	straight line over 3 years

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

All property, plant and equipment items are de-recognised on disposal, or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the de-recognition of the asset is included in the Consolidated statement of comprehensive income in the period of de-recognition.

**(m) Intangible assets**

Intangible assets acquired either as part of a business combination or from contractual or other legal rights are recognised separately from goodwill, provided they are separable and their fair value can be measured reliably. This includes the costs associated with acquiring and registering patents in respect of intellectual property rights. Trademarks are assessed on recognising fair value of assets acquired by calculating the future net book value of expected cash flows.

Development costs are also charged to the statement of comprehensive income in the year of expenditure, except when individual projects satisfy the following criteria:

- the project is clearly defined and related expenditure is separately identifiable;
- the project is technically feasible and commercially viable;
- current and future costs will be exceeded by future sales; and
- adequate resources exist for the project to be completed.

Where intangible assets recognised have finite lives, after initial recognition their carrying value is amortised on a straight-line basis over those lives. Development costs are amortised once the project to which they relate is viewed to be completed and capable of generating revenue. Once a project is completed, any further costs are charged to the statement of comprehensive income. The nature of those intangibles recognised and their estimated useful lives are as follows:

Intellectual property licence	-	straight line over 4 years
Development costs	-	straight line over 6 years
Trademarks	-	straight line over 8 years

Goodwill is recognised when the purchase price of a business exceeds the fair value of the assets acquired. Goodwill is subject to annual impairment reviews.

**(n) Impairment of assets**

At each reporting date the Group reviews the carrying value of its plant, equipment and intangible assets to determine whether there is an indication that these assets have suffered an impairment loss. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an assessment of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying value of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used, these calculations corroborated by valuation multiples, or other available fair value indicators. Impairment losses on continuing operations are recognised in the Consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

Such reversal is recognised in the Consolidated statement of comprehensive income unless the asset is carried at re-valued amount, in which case the reversal is treated as a valuation increase.

After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(o) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost based on latest contractual prices includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to disposal. Provision is made for slow-moving or obsolete items if they are deemed to be no longer usable or sellable.

**(p) Financial instruments**

A financial asset or financial liability is initially measured at fair value. For an item not at fair value, adjustments to fair value are made through profit and loss (FVTPL) including transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at fair value and subsequently measured at amortised cost.

***Financial assets***

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Group has only financial assets measured at amortised cost. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

***Financial assets – Business model assessment***

The Group makes an assessment of the objective of the business model in which a financial asset is held at portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

***Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest***

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;



- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets at amortised cost are subsequently measured fair value. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the income statement. Any gain or loss on derecognition is recognised in the income statement.

#### ***Financial liabilities***

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Financial liabilities, including trade and other payables and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

#### **(q) Cash and cash equivalents**

Cash and cash equivalents comprise cash at hand and deposits with maturities of three months or less from the date of acquisition. Foreign balances are revalued with any gain or loss adjusted.

#### **(r) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any expected reimbursement, but only where recoverability of such reimbursement is virtually certain.

Provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### **(s) Share capital and premium**

Proceeds on issue of shares are included in shareholders' equity, net of transaction costs. The carrying amount is not re-measured in subsequent years. The proceeds of the issue of shares up to the nominal ordinary share value of 15p are included in share capital with the balance of the proceeds, net of relevant transaction costs, included in the share premium

#### **(t) Share option reserve**

The cost of issuing share options is calculated using the Black-Scholes method and are included in the share option reserve until the share options are exercised, lapsed or cancelled.

#### **(u) Unlisted Investments**

Unlisted investments are stated at fair value with adjustments made following annualised fair value reviews through impairment charges.

#### **(v) Defined contribution pension scheme**

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The amounts charged against profits represent the contributions payable to the scheme in respect of the accounting period.

**(w) New and amended standards adopted by the Group**

The following new accounting standards, interpretations and amendments to existing standards have been published and are mandatory for the accounting period beginning on 1 January 2023.

- Amendments to IAS 1: Disclosure of Accounting Policies (Effective 1 January 2023).
- Amendments to IAS 8: Definition of Accounting Estimates (Effective 1 January 2023).
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Effective 1 January 2023).

The new and amended standards adopted by the Group in the year have not resulted in any impact in the current financial statements.

**Standards which are in issue but not yet effective**

At the date of authorisation of these financial statements, the following standards and interpretations, which have not yet been applied in these financial statements, were in issue but not yet effective:

- Amendments to IAS 1: Presentation of Financial Statements (Effective 1 January 2024)
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback (Effective 1 January 2024).

The Group does not consider that any other standards, amendments or interpretations issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

**3. Use of estimates and judgements**

The preparation of financial statements requires management to make estimates and judgements that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual amounts could differ from those estimates. Estimates and judgements used in the preparation of the financial statements are continually reviewed and revised as necessary. While every effort is made to ensure that such estimates and judgements are reasonable, by their nature they are uncertain and, as such, changes in estimates and judgements may have a material impact on the financial statements. The key sources of judgement and estimation uncertainty that have a significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

*Taxation*

Management judgement is required to determine the amount of tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. The carrying value of the unrecognised deferred tax asset for tax losses and other timing differences at 31 December 2023 was £1,337,000 (2022: £995,000). The value of the deferred tax liability at the period-end is nil (2022: nil). Further information is included in notes 8 and 23.

*Useful Economic Life of assets and impairment*

Judgements are required as to the useful economic life of systems for rental assets. Further information on all useful economic lives of assets is included in notes 2(l) and 10.

*Development costs*

Management judgement is required to determine the appropriate value of an asset as well as when an asset should be recognised. The value of the recognised asset is written off over the useful economic life of the asset. These judgements are based upon the likely timing and level of future revenues. Development costs are periodically and at least annually assessed for impairment and costs are written-off if the project to which they relate is no longer considered to be commercially viable. The value of the development costs capitalised at 31 December 2023 was £1,967,000 (2022: £1,538,000). Further information is included in note 12.

*Goodwill impairment*

Judgements are required as to the useful economic life of goodwill. These judgements are based upon the likely future benefits that will be derived from the recognised goodwill. Further information on all useful economic lives of assets is included in notes 2(l) and 12.

#### 4. Segmental information

The directors review segmental information at a revenue, gross margin, salary and operating cost level but do not review the balance sheet by segments.

A segment is a distinguishable component of the Group's activities from which it may earn revenue and incur expenses, whose operating results are regularly reviewed by the Group's chief operational decision makers to make decisions about the allocation of resources and assessment of performance and about which discrete financial information is available. In identifying its operating segments, management generally follows the Group's service line which represent the main products and services provided by the Group.

The directors believe that the Group operates in three primary segments being the sale and supply of rental systems to the Aquaculture industry, the manufacture, rental and sale of underwater measurement devices, leak detection devices and underwater communication devices in the Offshore market and the manufacture and sale of Geotracking devices (Technology).

All of the Group's revenue have been generated from continuing operations, are from external customers and relates to point-in-time revenue recognised when the product or service is delivered.

	31 December 2023 £'000	31 December 2022 £'000
<b>Analysis of revenue</b>		
Amounts earned from Aquaculture rentals and sales	1,146	882
Amounts earned from Offshore rentals and sales	3,216	1,620
Amounts earned from Technology	45	59
	<u>4,407</u>	<u>2,561</u>

There are no material customers included within revenue (2022, none).

	31 December 2023 £'000	31 December 2022 £'000
<b>Analysis of gross profit</b>		
Amounts earned from Aquaculture rentals and sales	408	(114)
Amounts earned from Offshore rentals and sales	1,804	880
Amounts earned from Technology	(15)	28
	<u>2,197</u>	<u>794</u>

The Group operates in six main geographic areas, although all are managed in the UK. The Group's revenue per geographical segment based on the customer's location is as follows:

	31 December 2023 £'000	31 December 2022 £'000
<b>Revenue</b>		
UK	1,942	1,290
Chile	182	137
Asia	386	293
Europe (excluding UK)	671	354
North America	1,018	403
Rest of the World	208	84
	<u>4,407</u>	<u>2,561</u>

The Group's assets are located in the UK and Chile and although some of its tangible assets, in the form of systems for rental, are located in Chile, all are owned by the company or its subsidiaries.

## 5. Operating loss

Operating loss is stated after charging/(crediting):

	31 December 2023 £'000	31 December 2022 £'000
Depreciation of property, plant and equipment (see note 10)	308	304
Depreciation of right-of-use assets (see note 11)	168	130
Impairment of property, plant and equipment (see note 10)	-	62
Amortisation and impairment of intangible assets (see note 12)	277	326
Research and development costs	-	1
Exceptional costs	-	1,230
Loss on disposal of right-of-use assets	19	-
Loss on disposal of assets	10	6
Net foreign exchange (gains) / losses	(12)	(37)

Exceptional costs relate to one-off and non-recurring costs primarily professional fees incurred in relation to fund raising activities and the exit of the Scottish acoustic deterrent device market in Scotland.

### Auditor remuneration

	31 December 2023 £'000	31 December 2022 £'000
Audit services:		
Fees payable to the Group's auditor for the audit of the Group and Company annual accounts	56	22
Fees payable to the Group's auditor for the audit of the Company's subsidiaries	-	26

## 6. Staff costs and numbers

The average monthly number of employees (including executive directors) for the continuing operations was:

	31 December 2023 No.	31 December 2022 No.
Directors	3	3
Administration	13	14
Engineering	14	8
Manufacturing	15	18

Staff costs for the Group during the year including executive directors:

	31 December 2023 £'000	31 December 2022 £'000
Wages and salaries	2,069	1,562
Social security costs	211	167
Other pension costs	61	42
Other employee benefit costs	69	-
	<u>2,410</u>	<u>1,771</u>

#### Directors' remuneration

	31 December 2023 £'000	31 December 2022 £'000
Directors' emoluments	522	329
Company contributions to defined contribution pension schemes	18	11
	<u>540</u>	<u>340</u>

Directors' emoluments (excluding social security costs but including benefits in kind) disclosed above includes £187,000 paid to the highest paid director (2022: £132,382).

The Group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in independently administered funds. Retirement benefits are accruing to 3 directors (2022: 3).

The charge to the statement of comprehensive income in respect of defined contribution schemes was £61,000 (2022: £37,000). Contributions totalling £10,700 (2022: £9,000) were payable to the fund at the year-end and are included in creditors.

#### 7. Net finance costs

	31 December 2023 £'000	31 December 2022 £'000
<b>Finance income</b>		
Bank interest received	11	1
	<u>11</u>	<u>1</u>
<b>Total finance income</b>	<u>11</u>	<u>1</u>
<b>Finance costs</b>		
Lease interest payable	(24)	(5)
Unwinding of discount on deferred acquisition payment	-	(62)
Bank and loan interest payable	(139)	(136)
	<u>(163)</u>	<u>(203)</u>
<b>Total finance costs</b>	<u>(163)</u>	<u>(203)</u>
<b>Net finance costs</b>	<u>(152)</u>	<u>(202)</u>

## 8. Taxation

The tax credit is made up as follows:

	31 December 2023 £'000	31 December 2022 £'000
<b>Current income tax:</b>		
Adjustments in respect of prior year	(14)	(18)
Research and development income tax credit receivable	(112)	(119)
	<hr/>	<hr/>
Total current income tax	(126)	(137)
	<hr/>	<hr/>
<b>Deferred tax expense:</b>		
Origination and reversal of temporary differences	-	(80)
	<hr/>	<hr/>
<b>Tax credit per statement of comprehensive income</b>	<u>(126)</u>	<u>(217)</u>

The tax charge differs from the standard rate of corporation tax in the UK of 25% for the year ended 31 December 2023 (19% for the 9 months ended 31 December 2022). The differences are explained below:

	31 December 2023 £'000	31 December 2022 £'000
Loss on ordinary activities before taxation	(1,216)	(2,512)
UK tax credit at standard rate of 23.52% (2022: 19%)	(213)	(477)
Effects of:		
Fixed assets timing differences	-	(80)
Expenses not deductible for tax	1	77
Additional deduction for R&D expenditure	(120)	(119)
Surrender of tax losses for R&D tax credit	125	
Adjustments in respect of prior year	(5)	(18)
Prior year losses utilised	-	-
Deferred tax not recognised	86	400
	<hr/>	<hr/>
<b>Total taxation credit</b>	<u>(126)</u>	<u>(217)</u>

The Group has accumulated losses available to carry forward against future trading profits. The estimated value of the deferred tax asset measured at a standard rate of 25% (2022: 19%) is £1,337,000 (2022: £995,000), of which £nil (2022: £nil) has been recognised, as it is not certain that future taxable profits will be available against which the unused tax losses can be utilised.

The Group has not recognised a deferred tax liability in the year as it is covered by accumulated losses (2022: £nil).

From 1 April 2023 the corporation tax rate was increased to 25%. The deferred tax balance on 31 December 2023 has been calculated based on the rate as at the balance sheet date of 25%.

## 9. Losses per share

Basic earnings or losses per share are calculated by dividing the loss or profit after tax attributable to the equity holders of the Group by the weighted average number of shares in issue during the year.

Diluted earnings or losses per share are calculated by adjusting the weighted average number of shares outstanding to assume conversion of all potential dilutive shares, namely share options. The calculation of earnings or losses per share is based on the following losses and number of shares.

A reconciliation is set out below.

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Loss for the year attributable to owners of the Group	(1,090)	(2,295)
Weighted average number of shares:		
- Basic	127,980,142	49,659,304
- Diluted*	127,980,142	49,659,304
Basic losses per share (pence)	(0.9)	(5.0)
Diluted losses per share (pence)*	(0.9)	(5.0)
Weighted average number of shares:		
- Basic	127,980,142	49,659,304
- Diluted	127,980,142	49,659,304
Adjusted basic losses per share (pence)	(0.9)	(5.0)
Adjusted diluted losses per share (pence)	(0.9)	(5.0)

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options that are dilutive potential ordinary shares.

\*These shares are not considered dilutive because they decrease the loss per share.

## 10. Property, plant and equipment

	Systems for rental £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
<b>COST</b>				
At 31 March 2022	2,958	413	87	<b>3,458</b>
Additions	23	11	1	<b>35</b>
Disposals	(348)	(6)	(9)	<b>(363)</b>
At 31 December 2022	<b>2,633</b>	<b>418</b>	<b>79</b>	<b>3,130</b>
Adjustment	3			<b>3</b>
Additions	343	24	0	<b>367</b>
Disposals	(837)	(32)	(4)	<b>(873)</b>
At 31 December 2023	<u>2,142</u>	<u>410</u>	<u>75</u>	<u><b>2,627</b></u>
<b>DEPRECIATION</b>				
At 31 March 2022	2,266	213	60	<b>2,539</b>
Depreciation charge for period	218	71	15	<b>304</b>
Disposals	(348)	(3)	(6)	<b>(357)</b>
Impairment for year	62	-	-	<b>62</b>
At 31 December 2022	<b>2,198</b>	<b>281</b>	<b>69</b>	<b>2,548</b>
Adjustment	3	(2)		<b>1</b>
Depreciation charge for year	230	68	10	<b>308</b>
Disposals	(831)	(28)	(4)	<b>(863)</b>
At 31 December 2023	<u>1,600</u>	<u>319</u>	<u>75</u>	<u><b>1,994</b></u>
<b>NET BOOK VALUE</b>				
At 31 December 2023	<u>542</u>	<u>91</u>	<u>-</u>	<u><b>633</b></u>
At 31 December 2022	<u>435</u>	<u>137</u>	<u>10</u>	<u><b>582</b></u>

Depreciation charges in relation to Systems for rental are included in cost of sale. All other depreciation is included in administrative expenses.

Impairment charges for the previous year relate to Sealfence rental systems returned from customers. The impairment review performed has been carried out on an individual asset basis, being the smallest group of assets contributing to future economic benefits.



## 11. Leases

### *Right-of-use assets*

	<b>Buildings and facilities £'000</b>	<b>Motor vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 31 March 2022	517	177	694
Additions	60	-	60
Disposals	(52)	-	(52)
At 31 December 2022	525	177	702
Additions	-	-	-
Disposals	(14)	(43)	(57)
Adjustment	(6)	1	(5)
	<hr/>	<hr/>	<hr/>
At 31 December 2023	505	135	640
	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>			
At 31 March 2022	201	59	260
Charge for the period	96	34	130
Disposals	(52)	-	(52)
At 31 December 2022	245	93	338
Charge for the year	127	41	168
Disposals	(14)	(24)	(38)
Adjustment	2	3	5
	<hr/>	<hr/>	<hr/>
At 31 December 2023	360	113	473
	<hr/>	<hr/>	<hr/>
<b>Carrying amount</b>			
At 31 December 2023	145	22	167
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2022	280	84	364
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Group leases several assets including buildings and facilities as well as motor vehicles acquired during the year. The average lease term by asset is 3.6 years (2022: 3.5 years). This term, excluding Motor Vehicles, include some extension rights, which the Group is may or may not exercise.

Amounts recognised in profit and loss:

	<b>31 December 2023 £'000</b>	<b>31 December 2022 £'000</b>
Depreciation expense on right-of-use assets	168	130
Interest expense (included in finance cost)	24	6

The total cash outflow for leases amount to £167,000 (2022: £123,000).

### Lease liabilities

A maturity analysis of lease liabilities based on discounted gross cash flows is reported in the table below:

	31 December 2023 £'000	31 December 2022 £'000
Year 1	134	180
Year 2	42	137
Year 3	-	53
Interest costs	-	(17)
Total lease liabilities	<u>176</u>	<u>353</u>
	31 December 2023 £'000	31 December 2022 £'000
Due within one year	134	172
Due in over one year	42	181
Total lease liabilities	<u>176</u>	<u>353</u>

All lease obligations are denominated in pounds sterling.

### 12. Intangible assets

	Goodwill £'000	Trademarks £'000	IP licence £'000	Development costs £'000	Total intangible assets £'000
<b>Cost</b>					
At 31 March 2022	1,059	515	428	2,014	4,016
Additions	-	-	-	364	364
Disposals				(206)	(206)
At 31 December 2022	1,059	515	428	2,172	4,174
Adjustment				20	20
Additions	-	-	-	582	582
At 31 December 2023	<u>1,059</u>	<u>515</u>	<u>428</u>	<u>2,774</u>	<u>4,776</u>
<b>Amortisation</b>					
At 31 March 2022	28	193	222	603	1,046
Charge for the period	-	48	41	92	181
Impairments	-	-	-	145	145
Disposals	-	-	-	(206)	(206)
At 31 December 2022	28	241	263	634	1,166
Charge for the year	-	65	57	155	277
Adjustment	-	-	(2)	18	16
At 31 December 2023	<u>28</u>	<u>306</u>	<u>318</u>	<u>807</u>	<u>1,459</u>
<b>Net Book Value</b>					
At 31 December 2023	<u>1,031</u>	<u>209</u>	<u>110</u>	<u>1,967</u>	<u>3,317</u>
At 31 December 2022	<u>1,031</u>	<u>274</u>	<u>165</u>	<u>1,538</u>	<u>3,008</u>

Goodwill relates to the acquisition of MarineSense Limited (now part of the Offshore cash generating unit) of £611,000 and the acquisition of Link Subsea Limited (now part of the Offshore cash generating unit) of £420,000. Impairment calculations are reviewed bi-annually to ensure goodwill is valued fairly.

Discounted cash flow modelling is undertaken based on forecast future revenues and costs and the values compared to the value of goodwill recognised with any required adjustments made accordingly. The discounted cash flow modelling shows significant headroom in the forecast future values of the business units relating to Goodwill compared to the carrying values of Goodwill. Forecast future values were assessed over three years with recoverable amounts determined by considering value in use, budgeted growth rates were assumed and 10% was used as the modelling discount rates. Sensitivity analysis was performed with zero growth and 50% uplift in discount rate to ensure this would not result in the recoverable amounts being less than the carrying amount of Goodwill.

IP license costs mostly pertain to the intellectual property acquired as a part the acquisition of assets and liabilities of ROS Technology Limited, which took place in November 2020. The Group elected to apply the optional concentration test, which resulted in a conclusion that the acquisition is not a business combination on the basis that substantially all of the fair value of the gross assets acquired is concentrated in a group of similar identifiable assets. Therefore, this acquisition was accounted as an asset acquisition (i.e. outside the scope of IFRS 3). The remaining useful life of this asset is 1.9 years (2022: 2.9 years).

Development costs primarily relate to the development of the Group's new products which involve the utilisation internal salary costs and purchase of external materials for the development of prototypes.

### 13. Unlisted investments

	31 December 2023 £'000	31 December 2022 £'000
Unlisted equity securities	511	511
Additions in the year	-	-
	<u>511</u>	<u>511</u>

Unlisted equity securities pertain to 13.9% of ordinary share capital of Minnowtech LLC and 10% of ordinary share capital of Blue Lions Labs Ltd which are both held directly by OTAQ Group Limited.

The directors consider that the carrying amount of unlisted equity securities approximates to their fair value based on level 2 inputs for both investments which include indicative third-party valuations of the investments and internal valuation models provided by the investments themselves based on forecasts. Based on this information, no impairment is required at the reporting date.

#### 14. Subsidiaries of the Group

The principal subsidiaries of the Group at 31 December 2023 and 31 December 2022 are as follows:

Subsidiary undertakings	Country of incorporation	Principal activity	Class of shares held	% Held
OTAQ Group Limited <sup>1</sup>	England	Manufacturing	Ordinary	100% direct
OTAQ Aquaculture Limited <sup>2</sup>	Scotland	Fish farm security	Ordinary	100% indirect
OTAQ Chile SpA* <sup>3</sup>	Chile	Sales	Ordinary	100% indirect
OTAQ Connectors Limited <sup>1</sup>	England	Dormant	Ordinary	100% indirect
OTAQ Offshore Limited <sup>2</sup>	Scotland	Dormant	Ordinary	100% indirect
OceanSense Limited <sup>2</sup>	Scotland	Dormant	Ordinary	100% indirect
OTAQ Australia PTY <sup>4</sup>	Australia	Sales	Ordinary	100% indirect

\*OTAQ Chile SpA has a year-end date of 31 December in order to comply with the requirements of the Chilean authorities.

<sup>1</sup> Registered office address: 8-3-4 Harpers Mill, South Road, White Cross, Lancaster, England, LA1 4XF

<sup>2</sup> Registered office address: Crombie Lodge, Aberdeen Innovation Park, Campus 2, Aberdeen, Scotland, AB22 8GU

<sup>3</sup> Registered office address: Pacheco Altamarino 2875, Puerto Montt, Chile

<sup>4</sup> Registered office address: 12 Belar Avenue, Terrigal, New South Wales 2260, Australia

#### 15. Trade and other receivables

	31 December 2023 £'000	31 December 2022 £'000
<b>Current:</b>		
Trade receivables – gross claim value	1,167	377
Provision for impairment of trade receivables	(9)	(9)
Prepayments	112	125
Other	29	196
	<u>1,299</u>	<u>689</u>

Trade receivables are non-interest bearing and are generally due and paid within 30 to 60 days. As trade receivables are short-term, the simplified approach under IFRS 9 applies as the credit risk exposure period is unlikely to have a significant change in economic conditions. Trade and other receivables represent financial assets and are considered for impairment on an expected credit loss mode based on historic credit notes issued. Therefore, there is a provision for impairment at the statement of financial position date of £9,000 (2022: £9,000).

The age of net trade receivables is all within one year (2022: one year) and the average gross debtor days calculated on a count back basis were 35 days (2022: 52 days).

#### 16. Income tax asset

	31 December 2023 £'000	31 December 2022 £'000
Research and development tax credit receivable	113	275
	<u>113</u>	<u>275</u>

## 17. Inventories

	31 December 2023 £'000	31 December 2022 £'000
Stock	810	937
	<u>810</u>	<u>937</u>

The value of inventory provided for as at 31 December 2023 is £525,000 (2022: £558,000). £1,270,000 of stock was expensed in the year through cost of sales (2022: £967,000).

## 18. Cash and cash equivalents

	31 December 2023 £'000	31 December 2022 £'000
Cash at bank and in hand	316	2,337
	<u>316</u>	<u>2,337</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. An analysis of cash and cash equivalents by denominated currency is given in note 28.

## 19. Share capital and share premium

The called-up and fully paid share capital of the Company is as follows:

	31 December 2023 £'000	31 December 2022 £'000
Allotted, called-up and fully paid: 128,144,360 (2022: 127,824,881) Ordinary shares of £0.01 each (2022: £0.01 each)	1,281	1,278
	<u>1,281</u>	<u>1,278</u>

### *Movements in ordinary shares:*

	Shares No	Share capital £'000	Share premium £'000	Deferred Shares £'000	Total £'000
At 31 March 2022	37,716,250	5,657	3,280	-	8,937
Shares issued to employees	108,631	7	4	-	11
Shares issued during the period	90,000,000	900	2,550	-	3,450
Shares sub-divided and converted	-	(5,286)	-	5,286	-
At 31 December 2022	127,824,881	1,278	5,834	5,286	12,398
Shares issued to employees	319,479	3	16	-	19
Shares issued during the period	-	-	-	-	-
	<u>128,144,360</u>	<u>1,281</u>	<u>5,850</u>	<u>5,286</u>	<u>12,417</u>

During the year 319,479 (2022: 108,631) ordinary shares were issued at price ranges between 4.5p and 7p per share as part of the all UK employee Share Incentive Plan.

## 20. Reserves

### Share option reserve

The share option reserve arises from the requirement to value share options in existence at the year end at fair value. Further details of share options are included at note 25.

### Share premium

The share premium account represents the amount received on the issue of ordinary shares by the Company in excess of their nominal value less applicable costs and is non-distributable.

### Deferred shares

The deferred shares account represents the amount received on the cancellation of 15p ordinary shares by the Company and the creation of 1p ordinary shares and 14p deferred shares and is non-distributable.

### Merger relief reserve

The merger relief reserve arose on the Company's reverse acquisition of OTAQ Group Limited on 31 March 2020 and relates to the share premium on the 21,539,904 shares issued to acquire OTAQ Group Limited.

### Reverse acquisition reserve

The reverse acquisition reserve was created in accordance with IFRS 3 'Business Combinations'. The reserve arises due to the elimination of the Company's investment in OTAQ Group Limited. Since the shareholders of OTAQ Group Limited became the majority shareholders of the enlarged group, the acquisition is accounted for as though there is a continuation of the legal subsidiary's financial statements. In reverse acquisition accounting, the business combination's costs are deemed to have been incurred by the legal subsidiary.

### Other reserve

Other reserve represents the value of the exercised or lapsed share options which were exercised and the foreign exchange in relation to the translation of subsidiaries reporting in foreign currencies.

### Revenue reserve

The revenue reserve accumulates the losses attributable to the equity holders of the parent company.

## 21. Deferred payment for acquisition

	31 December 2023 £'000	31 December 2022 £'000
<b>Current</b>		
Fair value of deferred cash consideration on the acquisition of OTAQ Offshore Limited (formerly MarineSense Limited)	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
	31 December 2023 £'000	31 December 2022 £'000
<b>Deferred payment for acquisition movement</b>		
Opening balance	-	213
Unwinding of discount	-	62
Repayments	-	(275)
Revaluation of the deferred consideration	-	-
	<hr/>	<hr/>
Closing balance	-	-
	<hr/>	<hr/>

## 22. Trade and other payables

	31 December 2023 £'000	31 December 2022 £'000
<b>Current:</b>		
Trade payables	354	305
Accrued expenses	136	96
Deferred revenue	-	24
Other creditors	171	78
	<u>661</u>	<u>503</u>

Trade and other payables comprise amounts outstanding for trade purchases and on-going costs. Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period on purchases is 30 days (2022: 30 days). No interest is paid on trade payables over 30 days. The directors consider that the carrying amount of trade payables approximates to their fair value.

## 23. Deferred tax liability

	31 December 2023 £'000	31 December 2022 £'000
<b>Deferred tax liability</b>		
Deferred taxation on intangibles recognised at acquisition	-	-
	<u>-</u>	<u>-</u>

From 1 April 2023 the corporation tax rate increased to 25%. This was substantively enacted on 24 May 2021. The deferred tax balance at 31 December 2023 has been calculated based on the rate as at the balance sheet date of 25%.

## 24. Borrowings

	31 December 2023 £'000	31 December 2022 £'000
Interest bearing loans	1,054	1,501
	<u>1,054</u>	<u>1,501</u>

### Analysis of loans and borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	31 December 2023 £'000	31 December 2022 £'000
Current liabilities	484	447
Non-current liabilities	570	1,054
	<u>1,054</u>	<u>1,501</u>

The terms and conditions of outstanding loans are as follows:

	Nominal interest rate	Date of maturity	31 December 2023		31 December 2022	
			Face value £'000	Carrying amount £'000	Face value £'000	Carrying amount £'000
CBILS loan	The higher of 8% p.a. and the monthly average Sterling Over Night Index Average ("SONIA") plus 6.0%	1 January 2026	1,054	1,054	1,501	1,501
Total interest-bearing liabilities			<u>1,054</u>	<u>1,054</u>	<u>1,501</u>	<u>1,501</u>

#### Liabilities arising from financing activities

	Lease liabilities £'000	CBILS £'000
Balance at 1 January 2023	353	1,501
<b>Cash flows</b>		
Repayment of borrowings	-	(447)
Lease payments	(172)	-
Non-cash changes*	(5)	-
<b>Balance at 31 December 2023</b>	<b>176</b>	<b>1,054</b>

\*This balance includes £10,000 early settlement discount, less £5,000 adjustment of opening liability from updated NPV's (2022: £60,000 new leases entered to in the year). The leases liabilities relate to capital amounts only.

#### 25. Share options

On 19 August 2021, the Company granted 550,000 of share options to various key management personnel under the Enterprise Management Incentive ("EMI") Share options. On 16 December 2021, the Company granted 250,000 of share options to a new key management employee under the Enterprise Management Incentive ("EMI") Share options. Vesting conditions are detailed in the Remuneration Committee report.

On 7 November 2022, the Company granted 22,499,978 warrants to shareholders who participated in the new share issue of the same date. The warrants entitle the holder to be issued with one share for every warrant held at a price of 12p per share.

An option-holder has no voting or dividend rights in the Company before the exercise of a share option.



Set out below are summaries of options granted under the plan:

	31 December 2023		31 December 2022	
	Weighted average exercise price per share option	Number of options	Weighted average exercise price per share option	Number of options
At 1 January / 1 April	£0.46	1,110,900	£0.51	1,810,900
Cancelled during the year	£0.58	(350,000)	£0.58	(700,000)
At 31 December	£0.40	760,900	£0.46	1,110,900

260,900 share options are vested (2022: 260,900) and can be exercised.

Set out below are summaries of warrants granted:

	31 December 2023		31 December 2022	
	Weighted average exercise price per warrant	Number of warrants	Weighted average exercise price per warrant	Number of warrants
At 1 January / 1 April	£0.13	22,819,978	£0.50	320,000
Granted during the year	-	-	£0.12	22,499,978
Lapsed during the year	£0.50	(320,000)		
At 31 December / 31 March	£0.12	22,499,978	£0.13	22,819,978

The remaining weighted average contractual life of the share options and warrants at 31 December 2023 is 2.31 years and 0.82 years respectively with the weighted average exercise price being £0.40 for share options and £0.12 for warrants. No options were exercised in the period to 31 December 2022 or to 31 December 2023.

## 26. Commitments and contingencies

### **Capital commitments**

There were no capital commitments at 31 December 2023 and 31 December 2022.

### **Contingencies**

There were no contingent liabilities at 31 December 2023 and 31 December 2022.

## 27. Financial instruments

Financial assets	Demand and less than 3 months £'000	From 3 to 12 months £'000	From 12 months to 2 years £'000	From 2 to 5 years £'000	More than 5 years £'000	Total £'000
Trade and other receivables	573	-	-	-	-	573
Cash and cash equivalents	2,337	-	-	-	-	2,337
<b>31 December 2022</b>	<b>2,910</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,910</b>
Trade and other receivables	1,299	-	-	-	-	1,299
Cash and cash equivalents	316	-	-	-	-	316
<b>31 December 2023</b>	<b>1,615</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,615</b>
Financial liabilities	Demand and less than 3 months £'000	From 3 to 12 months £'000	From 12 months to 2 years £'000	From 2 to 5 years £'000	More than 5 years £'000	Total £'000
Trade and other payables	479	-	24	-	-	503
Loans	108	339	484	570	-	1,501
Leases	42	131	130	50	-	353
<b>31 December 2022</b>	<b>629</b>	<b>470</b>	<b>638</b>	<b>620</b>	<b>-</b>	<b>2,357</b>
Trade and other payables	661	-	-	-	-	661
Loans	117	367	570	-	-	1,054
Leases	37	97	42	-	-	176
<b>31 December 2023</b>	<b>815</b>	<b>464</b>	<b>612</b>	<b>-</b>	<b>-</b>	<b>1,891</b>

The maturity gap analysis on the Group's financial assets and liabilities is as follows:

Liquidity gap	Demand and less than 3 months £'000	From 3 to 12 months £'000	From 12 months to 2 years £'000	From 2 to 5 years £'000	More than 5 years £'000	Total £'000
<b>As at 31 December 2022</b>	2,281	(470)	(638)	(620)	-	553
<b>As at 31 December 2023</b>	803	(464)	(612)	-	-	(273)

## 28. Financial risk management

The Group's activities expose it to a variety of financial risks: interest rate risk, liquidity risk, market risk, currency risk and credit risk. Risk management is carried out by the board of directors. The Group uses financial instruments to provide flexibility regarding its working capital requirements and to enable it to manage specific financial risks to which it is exposed.

The Group finances its operations through a mixture of equity finance, cash, loans and liquid resources and various items such as trade debtors and trade creditors which arise directly from the Group's operations.

**(a) Interest rate risk**

Interest rate risk is the risk that the fair value of future cash flows associated with the instrument will fluctuate due to changes in market interest rates.

Interest bearing assets including cash and cash equivalents are considered to be short-term liquid assets. It is the Group's policy to settle trade payables within the credit terms allowed and the Group does therefore not incur interest on overdue balances.

The Group has external borrowings linked to SONIA but capped until SONIA exceeds 2%; the Group is now therefore exposed to interest rate risk with SONIA at 5.19% at 31 December 2023. The Group is able to place surplus cash reserves on short-term deposit to help offset the SONIA increase risk. The principal impact to the Group is the result of interest-bearing loans and cash including cash equivalent balances held as set out below:

	31 December 2023			31 December 2022		
	Fixed rate £'000	Floating rate £'000	Total £'000	Fixed rate £'000	Floating rate £'000	Total £'000
Cash at bank and in hand	-	316	316	-	2,337	2,337
Interest bearing loans	-	(1,054)	(1,054)	-	(1,501)	(1,501)
<b>Total</b>	-	(738)	(738)	-	836	836

**(b) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations associated with financial liabilities. Liquidity risk arises from the repayment demands of the Group's lenders.

The Group manages all of its external bank relations centrally. Any material change to the Group's principal banking facility requires approval by the Board. The cash requirements of the Group are forecasted by the Board annually. The Group is dependent on any external borrowings through its CBILs facility.

At the reporting date the Group was cash positive.

The following tables set out the maturity profile of the Group's non-derivative financial liabilities, based on undiscounted contractual cash outflows, as at the following dates:

	31 December 2023	31 December 2022
	£'000	£'000
<b>Trade and other payables</b>		
Less than 3 months	661	479
1 - 5 years		24
<b>Other financial liabilities</b>		
Less than 3 months	154	-
4 months - 1 year	464	13
1 - 5 years	612	1,841
<b>Total</b>	<u>1,891</u>	<u>2,357</u>

**(c) Capital risk management**

The Group reviews its forecast capital requirements on a half-yearly basis to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders. It is the current strategy of the Group to finance its activities from existing equity and reserves as well as additional financing where appropriate and by the issue of new equity as required.

The capital structure of the Group consists of equity attributable to equity holders, comprising issued share capital, share premium, other reserves and retained earnings as disclosed in notes

19 to 20 and the statement of changes in equity. Total equity attributable to the equity holders of the parent company was £5,275,000 at 31 December 2023 (31 December 2022: £6,346,000). The Group is not subject to externally imposed capital requirements.

**(d) Credit risk management**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Group and the risk that any debtors of the Group may default on amounts due to the Group. The Group's principal financial assets are trade receivables, other debtors and cash equivalents. The Group has a policy of only dealing with credit worthy counterparties which is assessed through credit checks and trade references. The Group had £1,167,000 of trade receivables at the period end (2022: £377,000). The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer or counterparty. However, management also considers the factors that may influence the credit risk of its customer or counterparty base, including the default risk associated with the industry and country in which the customer or counterparty operates. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. All trade receivables are ultimately overseen by the director responsible for finance and are managed on a day-to-day basis by the finance team. Credit limits are set as deemed appropriate for the customer. The maximum exposure to credit risk in relation to cash and cash equivalents is the carrying value at the statement of financial position date.

**(e) Currency risk**

The Group has limited exposure to currency risk on sales and purchases that are denominated in a currency other than the respective functional currency of the Group. The risk is in respect of United States Dollars, Euros and Chilean Pesos. Transactions outside these currencies are limited.

The Group may use forward exchange contracts as an economic hedge against currency risk, where cash flow can be judged with reasonable certainty. Foreign exchange swaps and options may be used to hedge foreign currency receipts in the event that the timing of the receipt is less certain. There were no open forward contracts as at 31 December 2023 or at 31 December 2022 and the Group did not enter into any such contracts during 2023 nor 2022.

The summary quantitative data about the Group's exposure to currency risk is as follows:

	31 December 2023					31 December 2022					
	GBP £'000	CLP £'000	USD £000	EUR £000	Total £'000	GBP £'000	CLP £'000	USD £000	AUD £000	EUR £000	Total £'000
Cash at bank and in hand	254	12	18	32	316	2,279	58	-	-	2,337	2,279
Trade receivables	1,050	5	60	52	1,167	261	16	89	11	377	261
Trade payables	(335)	(1)	(14)	(1)	(351)	(281)	(16)	(8)	-	(305)	(281)
<b>Total</b>	<b>969</b>	<b>16</b>	<b>64</b>	<b>83</b>	<b>1,132</b>	<b>2,259</b>	<b>58</b>	<b>81</b>	<b>11</b>	<b>2,409</b>	<b>2,259</b>

**(f) Sensitivity analysis to movement in exchange rates**

Given the insignificant asset balances in foreign currency, the exposure to a change in exchange rate is negligible.

**(g) Offsetting financial assets and financial liabilities**

The Group has not presented any of its financial assets and financial liabilities on a net basis and no master netting arrangements are in place.

## 29. Related party transactions

### Transactions with directors and companies controlled by directors

The following transactions with directors and companies controlled by directors of the Company were recorded, including VAT, during the year:

	31 December 2023 £'000	31 December 2022 £'000
<b><i>Charges incurred during the year by OTAQ Group Limited:</i></b>		
<b>Falanx Cyber Defence Limited</b> – a company controlled by a director who resigned during the previous year		
For goods and services provided	6	3

There were no outstanding balances between the Group and related parties at 31 December 2023 or 31 December 2022.

Balances and transactions between the Company and its subsidiaries are eliminated on consolidation and are not disclosed in this Note. There are no differences between directors and the key management personnel as they are considered to be the same.

## 30. Post balance sheet events

The Group has conditionally raised £1.7m by way of Placing Convertible Loan notes as disclosed in the circular dated 26 June 2024 providing the funding to allow the Group to continue its product development as well as providing working capital required until the forecasted growth makes the Group cash generative. A broker option to raise up to a further £1m Broker Option Convertible Loan Notes has also been agreed.

**OTAQ PLC**  
**Company**  
**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023**

	Note	Year ended 31 December 2023 £'000	Year ended 31 December 2022 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	3	3,231	3,231
		<hr/>	<hr/>
<b>Total non-current assets</b>		3,231	3,231
<b>Current assets</b>			
Trade and other receivables	4	63	106
Cash and cash equivalents	5	-	-
		<hr/>	<hr/>
<b>Total current assets</b>		63	106
		<hr/>	<hr/>
<b>Total assets</b>		<b>3,294</b>	<b>3,337</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	6	1,281	1,278
Share premium	7	5,850	5,834
Deferred shares	7	5,286	5,286
Share option reserve	9	134	134
Other reserve	7	386	386
Revenue reserve	7	(9,871)	(9,586)
		<hr/>	<hr/>
<b>Total equity</b>		3,066	3,332
		<hr/>	<hr/>
<b>Current liabilities</b>			
Trade and other payables	8	228	5
		<hr/>	<hr/>
<b>Total current liabilities</b>		228	5
		<hr/>	<hr/>
<b>Total liabilities</b>		228	5
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>3,294</b>	<b>3,337</b>
		<hr/> <hr/>	<hr/> <hr/>

As permitted s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The Company's loss for the year was £285,000 (2022: £7,664,000).

These financial statements were approved by the Board of Directors on 28<sup>th</sup> June 2024.

Signed on behalf of the Board by:

*Justine Dowds*

**Mrs J Dowds**  
**Director**

**Company number: 11429299**

Company accounting policies are in line with Group – See Group note 2.

The accompanying notes on pages 54 to 56 form an integral part of these financial statements.

**OTAQ PLC**  
**COMPANY FINANCIAL STATEMENTS**

**COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023**

	Share capital £'000	Share premium £'000	Deferred shares £'000	Share option reserve £'000	Other reserve £'000	Revenue reserve £'000	Total equity £'000
<b>Balance at 1 April 2022</b>	<b>5,657</b>	<b>3,280</b>	-	<b>150</b>	<b>370</b>	<b>(1,922)</b>	<b>7,535</b>
Loss and total comprehensive expenses for the year	-	-	-	-	-	(7,664)	(7,664)
Issue of share capital	1,278	5,834	5,286	-	-	-	12,398
Cancellation of shares	(5,657)	(3,280)	-	-	-	-	(8,937)
Transfer on exercise of options	-	-	-	(16)	16	-	-
Charge for share options	-	-	-	-	-	-	-
<b>Balance at 31 December 2022</b>	<b>1,278</b>	<b>5,834</b>	<b>5,286</b>	<b>134</b>	<b>386</b>	<b>(9,586)</b>	<b>3,332</b>
Loss and total comprehensive expenses for the year	-	-	-	-	-	(285)	(285)
Issue of share capital	3	16	-	-	-	-	19
Cancellation of shares	-	-	-	-	-	-	-
Transfer on exercise of options	-	-	-	-	-	-	-
Charge for share options	-	-	-	-	-	-	-
<b>Balance at 31 December 2023</b>	<b>1,281</b>	<b>5,850</b>	<b>5,286</b>	<b>134</b>	<b>386</b>	<b>(9,871)</b>	<b>3,066</b>

Company accounting policies are in line with Group – See Group note 2.

The accompanying notes on pages 54 to 56 form an integral part of these financial statements.

# OTAQ PLC

## COMPANY FINANCIAL STATEMENTS

### NOTES TO THE COMPANY FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

#### 1. Segmental reporting

The principal activity of the Company is that of a holding company for the Group, as well as performing all administrative, corporate finance, strategic and governance functions of the Group. The directors consider this to consummate one reportable segment.

#### 2. Accounting policies

##### (a) Basis of preparation

The consolidated financial statements of OTAQ plc have been prepared in accordance with International Financial Reporting Standards in conformity with the requirements UK-adopted International Accounting Standards and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified for any financial assets which are stated at fair value through profit or loss. The financial statements of OTAQ plc are presented in pounds sterling, which is the presentation currency for the consolidated financial statements.

As permitted by FRS 101, the company has taken advantage of the following disclosure exemptions from the requirements of IFRS:

- presentation of a statement of cash flows and related notes;
- disclosure of the objectives, policies and processes for managing capital;
- disclosure of key management personnel compensation;
- disclosure of the categories of financial instrument and the nature and extent of risks arising on these financial instruments;
- comparative period reconciliations for the number of shares outstanding and the carrying amounts of property, plant and equipment, intangible assets, investment property and biological assets;
- disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date;
- a reconciliation of the number and weighted average exercise prices of share options, how the fair value of share-based payments was determined and their effect on profit or loss and the financial position;
- comparative narrative information;
- related party disclosures for transactions with the parent or wholly owned members of the group.

#### 3. Investment in subsidiaries

	31 December 2023 £'000	31 December 2022 £'000
Net book value	<u>3,231</u>	<u>3,231</u>



## OTAQ PLC COMPANY FINANCIAL STATEMENTS

### 4. Trade and other receivables

	31 December 2023 £'000	31 December 2022 £'000
<b>Current:</b>		
Amounts due from subsidiaries	-	-
Prepayments	17	21
Other	46	85
	<u>63</u>	<u>106</u>

Amounts due from subsidiaries are trading balances, are not interest bearing and are repayable on demand. During the period, the amount due from the Company's subsidiaries was waived and taken to the Revenue reserve.

#### *Fair values of receivables*

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value determined using level 3 inputs.

### 5. Cash and cash equivalents

	31 December 2023 £'000	31 December 2022 £'000
Cash at bank and in hand	-	-
	<u>-</u>	<u>-</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates.

### 6. Share capital

The share capital account records the nominal value of shares issued.

Details of the Company's authorised, called-up and fully paid share capital are set out in note 19 to the consolidated financial statements. The ordinary shares of the Company carry one vote per share and an equal right to any dividends declared.

### 7. Reserves

The share premium account represents the amount received on the issue of ordinary shares by the Company in excess of their nominal value and is non-distributable. In relation to the Company's reverse acquisition of OTAQ Group Limited, as the Company secured more than a 90% equity holding in OTAQ Group Limited on terms that the consideration for the shares allotted was provided by the transfer to the Company of equity shares in the OTAQ Group Limited, section 610 of the Companies Act 2006 does not apply to the premium on those shares. Accordingly, the share issue has been accounted for at par value with no share premium.

The share option reserve arises from the requirement to value share options in existence at the year/period end at fair value. Further details of share options are included at note 25 in the consolidated financial statements.

Revenue reserve represents accumulated losses.

## OTAQ PLC COMPANY FINANCIAL STATEMENTS

### 8. Trade and other payables

	31 December 2023 £'000	31 December 2022 £'000
<b>Current:</b>		
Trade payables	20	5
Amounts due to subsidiaries	208	-
	<hr/>	<hr/>
	228	5
	<hr/> <hr/>	<hr/> <hr/>

Trade and other payables comprise amounts outstanding for on-going costs. All trade and other payables are current. All balances are denominated in Sterling. Trade payables and accruals principally comprise amounts outstanding for ongoing costs.

Amounts due to subsidiaries are trading balances, are not interest bearing and are repayable on demand.

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

### 9. Share options

Following the reverse acquisition the Company established a new share option scheme, details of which are disclosed in note 25 to the consolidated financial statements.

### 10. Commitments and contingencies

#### **Capital commitments**

There were no capital commitments at 31 December 2023 and 31 December 2022.

#### **Contingencies**

There were no contingent liabilities at 31 December 2023 and 31 December 2022.