London Stock Exchange

RNS Final Results

Final Results

OTAQ PLC

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OTAQ plc
("OTAQ", or the "Company")

Final Results

OTAQ, the marine technology products and solutions group for the global aquaculture and offshore oil and gas industries, announces its Final Results for the year ended 31 March 2021.

Financial Highlights

- 18.5% increase in revenue to £4.05m (FY2020: £3.42m)
- 17.3% increase in gross profit to £2.30m (FY2020: £1.96m)
- 16.2% increase in adjusted EBITDA to £524,000 (FY2020: £451,000)
- Cash balances of £3.1m following drawdown of a five-year £2m CBILS facility; net cash of £627,000 (FY2020: £2.86m)

Operating Highlights

- Achieved strong revenue and gross profit growth across the business
- £0.3m acquisition of ROS Technology Limited's trade and assets
    - adding revenue generating contracts and further enhancing OTAQ's aquaculture R&D capability
- Strategic investment of 15% in Minnowtech LLC
- Focused on broadening reach through new product development including the live plankton analysis system for detecting algal blooms, in partnership with Blue Lion Labs LLC, and entering the shrimp biomass detection market through the investment in Minnowtech LLC

Alex Hambro, Non-Executive Chairman of OTAQ plc, commented: *"Despite the general market backdrop and challenges, this was still an extremely productive period for the Group with positive movement across all of our key financial metrics. Importantly we continued to position ourselves for future growth, having invested in broadening our product suite and reach.*

"We remain excited by the growth potential and new products that we are developing as we focus on increasing our market share as well as diversifying our geographic reach and revenue streams. We are building a strong portfolio of innovative aquaculture products focused on reducing production risks as well as increasing yields and sustainability, and are confident that the long-term market fundamentals remain strong. We are also well funded to continue investing in our product base and to consider any further acquisitions we view as a good fit."

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About OTAQ

OTAQ is a highly innovative marine technology company focused on the marine aquaculture, offshore energy, renewables and oceanographic research sectors. It operates in four worldwide locations: Lancaster, Aberdeen and Ulverston in the UK and Puerto Montt in Chile.

OTAQ's marine technology portfolio includes a market-leading intelligent acoustic deterrent system, Sealfence, designed to protect marine-based aquaculture sites from predation, with multiple systems deployed in Scotland, Chile, Finland and Russia.

The Company's Oceansense leak detection systems have a global reputation as the industry standard solution and have been deployed successfully on hundreds of jobs. OTAQ's Dragonfish laser measurement system is fast becoming recognised as one of the most accurate underwater precision laser measurement systems available. OTAQ also has significant experience in the design and manufacture of underwater connectors, penetrators and communication systems.

It seeks to develop and continuously improve its products using its specialist mechanical, electronic and software engineers with decades of experience in bringing underwater technology products to market. Concurrently, OTAQ seeks to expand its technology portfolio through acquisitive growth, with the aim of further expanding its aquaculture and offshore product offering.

OTAQ is proud to be fully ISO 9001:2015 accredited through DNV-GL. ISO 9001 is an internationally recognised quality management system and demonstrates OTAQ's commitment to consistency, continual improvement and customer satisfaction. The certification also demonstrates its ability to consistently deliver products and services to market whilst meeting statutory and regulatory requirements by applying an effective quality management system.

Chairman's Statement

It is with great pleasure that I present my second Chairman's Statement of OTAQ plc and my first after a full year of operating as OTAQ plc following our listing on the Main Market of the London Stock Exchange on 31 March 2020.

Strategy

The strategy of the Group is to build a business of significance within the global aquaculture industry focused on reducing production risks for salmon producers and farmers of other species by helping them effectively and sustainably manage the environmental challenges to their operations. Over time, the Group intends to deploy a range of products designed to meet these needs that are based on a common infrastructure and a cloud-based information system. The strategy is to design, develop, install and support these systems on an Infrastructure as a Service ('IaaS') basis on long-term rental contracts and to continue to diversify the Group's income stream generators.

The Group's core aquaculture product, Sealfence, significantly improves yields for the salmon farming industry by reducing the frequency of predator attacks using acoustic technology. Sealfence currently accounts for the majority of Group revenues with the combination of long-term rental contracts and recurring monthly purchase orders underpinning strong earnings visibility. However, during the last 12 months the number of Sealfence units deployed has declined 33% from 1,156 to 774. The primary reason for this anomalous decline was Marine Scotland's instigation of an overarching environmental review during 2020 into the use of acoustic deterrent devices (ADDs) in the marine environment. This review, which we expect to conclude in early 2022, has led certain customers in Scotland to voluntarily withdraw ADDs from their salmon farms pending the outcome of Marine Scotland's findings - thereby suffering a consequential increase in stock losses from predation and a lamentable deterioration in fish welfare. We are working closely with Marine Scotland to provide them with the necessary scientific studies and data that demonstrates the benign impact of ADDs on the surrounding marine fauna and fully expect in the fullness of time that ADDs will be restored to their position as a pre-eminent sustainable deterrent to the predation of fish from salmon farms in Scottish waters. In the meantime, our ADDs are being deployed in increasing numbers in Chile, notwithstanding the ongoing Covid biosecurity restrictions that are in place. The number of operational ADDs in that market has increased from 142 as at April 2020 to 264 at the end of June 2021 and several large-scale trials are currently underway utilising our technology. The Chilean aquaculture market is substantial and estimated to be over three times larger than the Scottish market where we are currently most active. We look forward to further growth of our ADDs in Chile and other geographic markets where similar trials are currently underway and the regulatory framework is more settled.

In addition to our acoustic deterrence technology, the Group has been busy over the past 12 months developing adjacent technologies that will broaden our reach into the global aquaculture sector. Specifically, we have advanced the shrimp biomass measurement technology through our strategic partnership with Minnowtech and expect to be able to commence commercial sales in early 2022. Likewise, through a collaboration with Blue Lion Labs in Canada, we have accelerated the development of our phytoplankton detection technology and expect to be able to demonstrate its effectiveness in the first half of 2022. Phytoplankton, or "algal bloom", is a major disease challenge for the aquaculture industry generally and it is estimated the global aquaculture industry suffers $3.4 billion in damage and losses annually due to organisms such as algal blooms and harmful phytoplankton. Early detection of this problem should allow farmers to deploy their defence systems early enough to markedly reduce the losses and improve overall fish welfare.

Other products in the Group's portfolio include a range of sub-sea cameras, laser measuring devices, leak detection systems and high integrity electrical connectors for use in the offshore renewables and oil & gas markets, which form the Group's Offshore and Connectors divisions. The technologies being developed and employed in these divisions have potentially valuable applications in the aquaculture division that we are now starting to explore. Covid-19 had a material impact on the offshore oil and gas sector during the year under review and this downturn in the market impacted Group revenues derived from these product lines. However, it appears that activity has recently begun to improve, albeit from relatively subdued levels.

The Group will continue to look to acquire small and medium-sized marine technology companies and to finance any acquisition, ideally, through existing cash resources or bank borrowings. We are highly selective in acquiring businesses with either sustainable profits or with nascent technology that can be applied to our marine-based systems to create a future profitable revenue stream. It is with this approach in mind that we were able to acquire the trade and assets of ROS Technology in November 2020 for £0.3m which is a small electronics and design business focused on tracking technology that we expect to deploy in our aquaculture division.

Our team
The year has been especially challenging for the team with the continuing Covid-19 pandemic and OTAQ, like all companies, has faced restrictions in its operations and business development activities. However, the team have faced the challenge robustly and have continued to ensure our customers' requirements are met whilst driving forward the Group's strategies.

I would like to welcome Malcolm Pye to the board of directors who brings to the Board considerable experience and expertise in both listed companies and the global aquaculture industry. We are fortunate to be able to draw on his considerable technical and commercial knowledge of the sector.

The executive team and all employees within the Group worked especially hard against the restrictions imposed by the Covid-19 pandemic in 2020 and 2021 to produce these results. The Board remains grateful to all our colleagues for their efforts that have delivered a promising performance and in particular their flexibility in coping with the difficult working conditions continuing to prevail. We look forward to a more open and flexible world, post Covid, that will allow us to resume the deployment of our technologies in our varied and dispersed geographical markets.

Alex Hambro
Chairman
19 July 2021

Chief Executive's Report

Review of the period
The Group achieved encouraging year-on-year growth in revenue and adjusted pre-tax profit, as measured by our preferred measure of adjusted EBITDA (earnings before interest, tax, depreciation, exceptional costs, impairment, share option charges and amortisation).

On 6th November 2020, the Group completed the acquisition of the trade and assets of ROS Technology and welcomed back Dr Peter Robinson, the founder of OTAQ Group and inventor of the Sealfence product. It is expected that the technology acquired, which is focused on location tracking, will be revenue generating in its own right and ultimately be deployed in our aquaculture division.

The Group completed the drawdown of a five-year £2m CBILS facility on 2nd February 2021, which is intended to fund future acquisitions, the purchase of Sealfence units and ongoing working capital requirements.

The growth in the business was achieved through organic growth in the aquaculture businesses to £2,553k from £2,106k with Chile now starting to see strong organic growth. Sales to Europe have also increased to 11.2% of the Group's revenue from 6.4% in 2020 with additional demand for Sealfences being seen in this market. Demand for the Group's Sealfence systems remains robust with Covid-19 disruptions and exchange rates having had little impact on demand so far. In December 2020, Marine Scotland introduced an additional step in the licensing process for fish farms wishing to use Acoustic Deterrent Devices (ADDs). We are currently working with Marine Scotland to provide independently verified data on ADDs.

Revenue
Group revenue for the year ended 31 March 2021 increased from £3.42 million to £4.05 million, an increase of 18.5%. This revenue growth is almost entirely organic with the acquisition of the assets and trade of ROS Technology having an immaterial impact in these results. The investment in Minnowtech LLC has contributed to this growth as well as increased demand in Europe in the Aquaculture division.

The Group continues to grow globally with UK revenue representing 70% of total revenue (2020: 77%). Chile represents 7% (2020: 9%) of total revenue with other European countries account for 11% (2020: 6%) of total revenue and the rest of the world for 12% (2020: 8%) of total revenue.

Profit
The statutory loss for the year of £0.5m was much improved from the £2.6m loss last year and represents the improved performance of the Group. Gross profit was up 17% to £2.30m; driven by the Aquaculture business which delivered gross profit of £1.51m and comprised 66% (2020: 64%) of the Group's total profits.

The Group incurred a number of exceptional charges in the year totalling £0.16m including costs that were principally associated with legal fees for the new share schemes, remuneration committee institution and costs associated with the CBILs loan and investment activities. These costs are either one-off or relate to funding or investment activities.

Dividends
The Board is not recommending a final dividend (2020: £nil).

Trading environment
The long-term fundamentals supporting demand for aquaculture products remain positive. The North Sea oil market in which the Offshore division operates continues to experience a period of reduced activity in line with the reduction in oil prices, although this is now improving following some recovery in the oil price. Market demand for the aquaculture market is being driven primarily by demand for improved salmon farming efficiencies but has been curtailed this year in Scotland due to the regulatory review undertaken.

Despite 30% (FY20: 23%) of the Group's revenue now being generated overseas, exchange rates have only a minor influence on the Group's business: OTAQ's supply costs are largely denominated in Sterling and most of its revenue is invoiced in Sterling with less than 10% of revenue invoiced in different currencies. Currency movements in the year have not had a material impact.

Acquisitions
As a buy-and-build group, the acquisition of new businesses is a key feature of Group strategy. Executing this effectively is key to ensuring that long-term value is generated for shareholders, as we are highly selective in relation to both the acquisition price paid and the long-term quality of any potential addition to our Group.

The industries in which we operate contain a multitude of start-ups and small niches that are potentially complementary to the strategy of the Group. The Group has demonstrated expertise at executing a number of acquisitions and integrating them into the Group successfully and this has continued with the investments in Minnowtech LLC and Blue Lion Labs Ltd.

In March 2021, the Group announced further investment into its strategic alliance with Minnowtech LLC, an innovative aquaculture technology company based in the USA that provides an imaging platform to enable shrimp farmers to measure shrimp abundance to optimise feeding. The Group now owns 15.2% of Minnowtech LLC and expects to supply hardware devices to Minnowtech in 2021.

In May 2021, the Group announced a 10% investment into Blue Lion Labs Limited, a Canadian plankton technology company that will provide detection and analysis of plankton in water. As part of this investment, the Group has signed a cooperation agreement with the aim of commercialising Blue Lion's technology in combination with OTAQ's hardware for use in the salmon farming industry. This will greatly speed up the launch of the Group's plankton analysis software that is being developed by the Group's research and development team.

Innovation
The Group has continued to invest in the development of new products and improvement of existing products. Investment in research and development, capitalised as development costs, amounted to £0.68 million in the year to 31 March 2021 (2020: £0.38 million), equivalent to 17% of Group revenue (2020: 11%). The aim of the Group's research and development team is to deliver the key Biomass measurement and Plankton detection projects for sale in the global aquaculture market and also to deliver new products for sale in the marine technology environment. The team was strengthened this year by the appointment of Chris Hyde to the role of Chief Technology Officer.

Current trading and prospects
The Group was able to continue with many of its operations and activities during the pandemic and delivering this result against such a backdrop has taken considerable effort. Growth opportunities have been restricted due to the travel restrictions in place but we have taken steps to position the Group to take advantage of market opportunities once restrictions are lifted.

We remain convinced by the potential afforded via our core product Sealfence and see scope for renewed growth in 2021. We also expect our relationships with Minnowtech and Blue Lion and the ROS Technology acquisition to begin to deliver financial benefits later in the year.

Despite the ongoing uncertainties resulting from the Covid-19 pandemic, the directors believe that with its robust financial position, the Group's ability to conduct its business model will remain intact.

Phil Newby
Chief Executive
19 July 2021

Chief Financial Officer's Report

The strategy of the Group is to build a business of significance within the aquaculture industry with the key financing requirements being to ensure there is sufficient resource to acquire additional Sealfence units and sufficient resource to fund new product development.

The Group's Key Performance Indicators are aligned to revenue, profits and ensuring sufficient cash flow to deliver future growth. These three measures were below targets in the year to 31 March 2021 which were set prior to the outbreak of the Covid-19 outbreak. However, cash flow has been supplemented by Covid-19 related grants of £0.12m as well as a CBILs (Coronavirus Business Interruption Loan Scheme) loan of £2m which is expected to be sufficient to allow the Group to satisfy its working capital requirements, research and development activities and fund further investments.

In addition, the Group carefully monitors loss time incidents and employee absenteeism and turnover. Loss time incidents were zero (2020: zero) for the year and employee absenteeism and turnover were in line with targets.

Revenue
Group revenue increased by 18.5% to £4.05 million compared with £3.42 million in the prior year with organic growth accounting for all of the growth, specifically growth in Europe in the Aquaculture division and North America following our investment in Minnowtech LLC.

Across our historic three business units, Aquaculture revenues increased by £0.45m to £2.55 million with OTAQ Offshore contributing £0.51m (2020: £0.62m) to revenue, OTAQ Connectors making up the balance of £0.86m (2020: £0.70m). The

newly formed fourth division, resulting from the ROS Technology acquisition and relating to new market technological advancements, invoiced £0.13m for services provided to Minnowtech LLC and one other customer.

Profits
The preferred measure of assessing profits for the Group, which most accurately represents the Group's core trading profitability is explained below:

	2020/21 £'000	2019/20 £'000
Operating loss	(668)	(898)
Share option charge	55	559
Exceptional costs	161	-
Amortisation of intangible assets	165	163
Impairment of goodwill	-	28
IFRS16 depreciation	118	20
Depreciation on property, plant and equipment	693	579
Adjusted EBITDA*	**524**	**451**

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

Adjusted EBITDA grew to £0.52 million from £0.45m in 2020. This improvement was driven by the overall revenue growth, good cost control and margins remaining healthy. The adjusted EBITDA profit margin remained at 13%, in line with the adjusted

EBITDA operating profit margin of 13% in 2020.

Operating losses decreased to £0.67m from £0.90m with the total comprehensive expense for the year decreasing to £0.53 million (2020: £2.65 million). The statutory loss before tax decreased to £0.73 million compared to £2.76 million in 2020.

Adjusting items
Adjusting items relate to 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. The total pre-tax adjusting items recorded in the year to 31 March 2021 were £0.16m. These relate to £0.10m being largely for legal fees relating to share schemes, CBILS loans, investing activities and the remuneration committee institution. The other expenditure relates to £0.02m premises, lease costs and prior year additional audit fees. The balance of £0.04m relates to an additional amount paid in May 2020 in relation to the April 2019 Link Subsea acquisition.

In addition to this were depreciation charges of £0.69 million (2020: £0.58m), intangible amortisation charges of £0.17m (2020: £0.16m) and IFRS16 depreciation charges of £0.12m (2020: £0.02m).

Other operating income
The grant income received of £0.12m related to the HMRC furlough scheme in the UK of £0.02m and a £0.10m grant from the Scottish government relating to the reduced market activity impacting the Offshore division.

Finance costs
Net finance costs totalled £0.06m (2020: £0.2m) and related to the interest charge relating to deferred acquisition payments made in the year, IFRS16 interest charges and invoice discounting charges in OTAQ Chile SpA.

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 majority of the £0.19m (2020: £0.11m) tax credit in the year.

Earnings and losses per share

Statutory basic losses per share were 1.7p (2020: loss 8.3p) and statutory diluted losses per share totalled 1.7p (2020: loss 8.3p). These are calculated using the weighted average number of shares in existence during the year, being 30,561,747.

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 and no dividend is recommended. As the Group is in a high-growth phase with the associated capital expenditure requirements for Sealfence units, it is expected that cash resources will be retained to deliver the growth as quickly as possible.

Headcount
The Group's number of employees for 2021 stood at 42 (2020: 36). The change in staff numbers during the year was due to the growth of the business.

Share capital and share options
The Group's issued share capital at 31 March totalled 30,763,251 Ordinary shares (2020: 30,548,599). During the year, share options for 177,412 were exercised with a further 37,240 shares issued as part of the employee Share Incentive Plan which came into effect in October 2020.

Share options issued in the year (excluding 1,043,600 options cancelled and re-issued) totalled 750,000 with 2,144,908 (2020: 1,801,912) share options in issue at 31 March 2021. 229,592 share options lapsed in the year due to performance criteria not being met.

Warrants totalling 320,000, included in the above figures, were outstanding on 31 March 2021 (2020: 320,000)

Cashflow and net cash

This year's cash generated from operations totalled £0.17 million (2020: £0.87 million). Total capital expenditure amounted to £0.80 million (2020: £0.50 million).

Year-end cash balances totalled £3.12 million compared to £4.09 million in 2020. The Group finished 2021 with net cash of £0.67 million compared to £2.86 million of net cash at the end of 2020 as reconciled below:

	2020/21	**2019/20**
	£'000	**£'000**
Cash and cash equivalents	3,120	4,087
Non-current lease liabilities	(272)	(214)
Current lease liabilities	(249)	(78)
Non-current financial liabilities	(1,813)	-
Current financial liabilities	(187)	(487)
Current deferred payment for acquisition	(215)	(273)
Non-current deferred payment for acquisition	-	(232)
Income tax asset	286	56
Net cash	**670**	**2,859**

As well as the £0.80m spend on fixed assets, with £0.56m being for systems for rental, mainly Sealfence units, £0.68m was spent on research and development activities. £0.23m was paid for the trade and assets of ROS Technology and £0.49m paid for loans made by previous shareholders when the Group was a private limited company.

Cash balances were also improved following the completion of a £2m CBILs facility in February 2020 which is repayable over five years and benefits from the UK government paying for the arrangement fees and the first year of interest costs.

Assets

Total current assets at 31 March 2021 were £5.17m compared to total current assets of £5.87m at 31 March 2020. The key change during the year relates to the decrease in cash balances to £3.12m from £4.09m. Inventories have decreased to £0.90m from £0.97m with trade payables decreasing to £0.71m from £0.96m, with the prior year including substantial listing fees not yet paid. This is also apparent in the reduction in accrued expenses from £0.95m to £0.20m which included significant listing fees in the 2020 figure.

Total liabilities have increased from £3.58m at 31 March 2020 to £4.76m at 31 March 2021 with this increase driven by the £2m CBILs loan which is repayable over five years. IFRS16 lease liabilities recognised in the year amount to a total liability of £0.52m (2020: £0.29m).

Despite the difficulties of the year, the Group's financial position is strong and will adequately support future organic growth and new product development. The CBILs loan is intended to be used for capital and investment purposes.

Summary

The Group will begin the new financial year in a healthy position with the Group's divisions continuing to trade well. Cash resources, structured debt and a strong balance sheet will help to underpin the Group's strategy for growth and allow contingency for possible economic downturns related to the ongoing Covid-19 pandemic or unexpected market changes.

Matt Enright
Chief Financial Officer
19 July 2021

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021**

	Note	Year ended 31 March 2021 £'000	Year ended 31 March 2020 £'000
Revenue	4	4,053	3,420
Cost of sales		(1,750)	(1,456)
Gross profit		**2,303**	**1,964**
Administrative expenses		(3,094)	(2,862)
Other operating income	5	123	-
Operating loss	5	**(668)**	**(898)**
Finance income	7	-	2
Finance costs	7	(58)	(158)
Share-based payment charge as a result of listing		-	(661)
Costs of acquisition		-	(1,045)
Loss before taxation		**(726)**	**(2,760)**
Taxation	8	192	113
Loss for the year		(534)	(2,647)
Attributable to:			
The Group		(534)	(2,636)
Non-controlling interests	12	-	(11)
		(534)	(2,647)
Other comprehensive income			
Items that will be reclassified subsequently to profit and loss:			
Exchange differences on translation of foreign operations		21	-
Total comprehensive expense for the year		(513)	(2,647)
Attributable to:			
The Group		(513)	(2,636)
Non-controlling interests	12	-	(11)
		(513)	(2,647)

As per note 9, the loss for the year arises from the Group's continuing operations. Losses Per Share were 1.7p (2020: loss 8.3p) and Diluted Losses Per Share were 1.7p (2020: loss 8.3p).

The accompanying notes form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	31 March 2021 £'000	31 March 2020 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	1,548	1,442
Right-of-use assets	11	526	292
Unlisted investments	13	297	-
Intangible assets	12	2,955	2,154
Total non-current assets		5,326	3,888
Current assets			
Trade and other receivables	15	860	757
Income tax asset	16	286	56
Inventories	17	899	972
Cash and cash equivalents	18	3,120	4,087
Total current assets		5,165	5,872
Total assets		**10,491**	**9,760**
EQUITY AND LIABILITIES			
Equity			
Share capital	19	4,614	4,582
Share premium	19	2,897	2,892
Share option reserve	25	473	559
Merger relief reserve	20	9,154	9,154
Reverse acquisition reserve	20	(6,777)	(6,777)
Other reserve	20	136	-
Revenue reserve	20	(4,764)	(4,230)
Total equity		5,733	6,180
Non-current liabilities			
Deferred payment for acquisition	21	-	232
Other creditors	22	38	-
Deferred tax	23	176	90
Financial liabilities	24	1,813	-
Lease liabilities	11	272	214
Total non-current liabilities		2,299	536
Current liabilities			
Trade and other payables	22	1,808	2,206
Financial liabilities	24	187	487
Deferred payment for acquisition	21	215	273
Lease liabilities	11	249	78
Total current liabilities		2,459	3,044
Total liabilities		4,758	3,580
Total equity and liabilities		**10,491**	**9,760**

The accompanying notes form an integral part of these consolidated financial statements.

The financial statements were approved by the board of directors and authorised for issue on 19th July 2021.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021

Equity attributable to owners   Non-

	Note	Share capital £'000	Share premium £'000	Share option reserve £'000	Merger relief reserve £'000	Reverse acquisition reserve £'000	Other reserve £'000	Revenue reserve £'000	of the parent company £'000	controlling interests £'000	Tota equit £'0C
Balance at 1 April 2019		**960**	**1,924**	**-**	**-**	**647**	**355**	**(1,583)**	**2,303**	**(6)**	**2,29**
Loss and total comprehensive expense for the year		-	-	-	-	-	-	(2,647)	(2,636)	(11)	(2,64
Group reconstruction		3,622	1,109	-	9,154	(7,424)	122	-	6,572	17	6,58
Expenses of share issues		-	(141)		-	-	-	-	(141)	-	(14
Grant of share options	25	-	-	559	-	-	-	-	559	-	55
Deferred shares to be issued for acquisition of OTAQ Connectors Limited (formerly Link Subsea Limited)		-	-	-	-	-	25	-	25	-	2
Unwinding of discount on deferred cost of OTAQ Offshore Limited (formerly MarineSense Limited) acquisition		-	-	-	-	-	97	-	97	-	9
Unwinding of discount on deferred cost of OTAQ Connectors Limited (formerly Link Subsea Limited)		-	-	-	-	-	4	-	4	-	
Issue of deferred shares		-	-	-	-	-	(603)	-	(603)	-	(60
Balance at 31 March 2020		**4,582**	**2,892**	**559**	**9,154**	**(6,777)**	**-**	**(4,230)**	**6,180**	**-**	**6,18**
Balance at 1 April 2020		**4,582**	**2,892**	**559**	**9,154**	**(6,777)**	**-**	**(4,230)**	**6,180**	**-**	**6,18**
Loss for the year		-	-	-	-	-	-	(534)	(534)		(53
Exchange differences on translating foreign operations		-	-	-	-	-	21	-	21	-	2
Total comprehensive expense for the year		-	-	-	-	-	21	(534)	(513)	-	(51
Issues of shares		6	5	-	-	-	-	-	11	-	1
Transfer on exercised and cancelled options		26	-	(141)	-	-	115	-	-	-	
Charge for share options	25	-	-	55	-	-	-	-	55	-	5
Balance at 31 March 2021		**4,614**	**2,897**	**473**	**9,154**	**(6,777)**	**136**	**(4,764)**	**5,733**	**-**	**5,73**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	Note	**31 March 2021 £'000**	31 March 2020 £'000
Cash flows from operating activities			
Loss before taxation		(726)	(2,760)
Adjustments for non-cash/non-operating items:			
Depreciation of property, plant and equipment	10	693	579
Loss on disposal of property, plant and equipment	10	5	8
Depreciation of right-of-use assets	11	118	20
Gain on write-off of lease liability	11	(37)	-
Loss on disposal of right-of-use assets	11	25	-
Amortisation of intangible assets	12	165	163
Impairment of goodwill	12	-	28
Gain on remeasurement of deferred consideration payable	21	(13)	-
Re-translation of foreign subsidiaries		21	-
Share option charge	25	55	559
Share-based payment charge as a result of listing		-	661
Non-cash costs of acquisition		-	1,216
Finance income		-	(2)
Finance expense		58	158
		364	630
Changes in working capital:			
Decrease/ (Increase) in inventories		73	(375)
Decrease/ (Increase) in trade and other receivables		47	(121)
(Decrease)/ Increase in trade and other payables		(360)	633
Cash from operations		124	767
Taxation		48	70
Net cash from operating activities		172	837
Cash flows from investing activities			
Purchases of tangible fixed assets	10	(804)	(497)
Purchases of intangible assets	12	(966)	(383)
Cash acquired on reverse acquisition		-	2,601
Acquisition of subsidiaries	21	(329)	(288)
Acquisition of unlisted equity securities	13	(297)	-
Interest received		-	2
Net cash (used in)/ from investing activities		(2,396)	1,435
Cash flows from financing activities			
Proceeds from issues of ordinary share capital		-	1,500
Expenses of share issues		-	(141)
Shares issued during the year		11	-
Proceeds from loans		2,000	-
Proceeds from shareholder loan advances		-	175
Principal element of lease payments		(111)	(20)
EBT loan		(150)	-
Repayment of development loan		(487)	(8)
Repayment of hire purchase		-	(2)
Interest paid		(6)	(57)
Net cash from financing activities	24	1,257	1,447
Net (decrease)/ increase in cash and cash equivalents		(967)	3,719
Cash and cash equivalents at beginning of year		4,087	368
Cash and cash equivalents at end of year		**3,120**	4,087

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

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 London 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 adopted pursuant to Regulation (EC) No 1606/2002, issued by the International Accounting Standards Board (IASB), including interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), and the Companies Act 2006 applicable to companies reporting under IFRS. 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 in conformity with IFRS prepared in accordance with International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 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 three of its subsidiaries, OTAQ Aquaculture Limited (company number SC498922), OTAQ Offshore Limited (company number SC314760) and OTAQ Connectors Limited (company number 03390514) by virtue of s479A of the Companies Act 2006. The Group has provided parent guarantees to these three subsidiaries which have taken advantage of the exemption from audit.

Reverse Takeover of Hertsford Capital plc

On 31 March 2020 the Company, then named Hertsford Capital plc, became the legal parent of OTAQ Group Limited. The consolidated financial statements are presented as proforma to present the substance of the transaction.

This transaction is deemed outside the scope of IFRS 3 Business Combinations (Revised 2008) and not considered a business combination because the directors made a judgement that prior to the transaction, Hertsford Capital plc was not a business under the definition of IFRS 3 Appendix A and the application guidance in IFRS 3.B7-B12 due to Hertsford Capital plc being a shell company that had no processes or capability for outputs (IFRS 3.B7).

On this basis, the Directors have developed an accounting policy for this transaction, applying the principles set out in IAS 8.10-12, in that the policy adopted is:

- relevant to the users of the financial information;
- more representative of the financial position;
- performance and cash flows of the Group;
- reflects the economic substance of the transaction, not merely the legal form; and
- free from bias, prudent and complete in all material aspects.

The accounting policy adopted by the Directors applies the principles of IFRS 3 in identifying the accounting acquirer and the presentation of the consolidated financial statements of the legal parent (OTAQ plc) as a continuation of the accounting acquirer's financial statements (OTAQ Group Limited). This policy reflects the commercial substance of this transaction as follows:

- the original shareholders of the subsidiary undertakings are the most significant shareholders post initial public offering, owning 70.5 per cent of the issued share capital; and
- the cash consideration paid as part of the initial public offering returned equity to the original shareholders of the legal subsidiary undertaking and as a consequence diluted their shareholding.

Accordingly, the following accounting treatment and terminology has been applied in respect of the reverse acquisition:

- the assets and liabilities of the legal subsidiary OTAQ Group Limited are recognised and measured in the group financial statements at the pre-combination carrying amounts, without reinstatement to fair value;
- the retained earnings and other equity balances recognised in the group financial statements reflect the retained earnings and other equity balances of OTAQ Group Limited immediately before the business combination, and the results of the year from 1 April 2019 to the date of the business combination are those of OTAQ Group Limited.

  However, the equity structure appearing in the group financial statements reflects the equity structure of the legal parent, including the equity instruments issued under the share for share exchange to effect the business combination; the cost of the combination has been determined from the perspective of OTAQ Group Limited.

The fair value of the shares in OTAQ Group Limited has been determined from the OTAQ plc shares prior to its suspension for the trading on the London Stock Exchange for 10 pence per share. The value of the consideration shares was £12,385,000. The fair value of the notional number of equity instruments that the legal subsidiary would have had to have issued to the legal parent to give the owners of the legal parent the same percentage ownership in the combined entity is £3,231,000. The difference between the notional consideration paid by OTAQ plc for OTAQ Group Limited and the OTAQ plc net assets acquired of £2,570,000 has been charged to the consolidated statement of comprehensive income as a share-based payment charge as a result of listing amounting to £661,000 with a corresponding entry to the reverse acquisition reserve.

Transaction costs of equity transactions relating to the issue and re-admission of the Company's shares are accounted for as a deduction from equity where they relate to the issue of new shares and listing costs are charged to the consolidated statement of comprehensive income.

(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 March each year.

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 over which the Group has the power 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) Going concern

The Group is developing new products for its services, including procurement of hardware for installation on aquaculture sites, principally salmon farms. 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 drawdown of a £2m loan facility during the year to 31 March 2021.

As at 31 March 2021, the Group had cash and cash equivalents of £3,120,000. The directors have prepared and reviewed the Group's funding requirements over the next two years and are confident the Group has sufficient financial resources to meet its financial commitments and strategic objectives.

The Group has experienced some impact due to the Covid-19 pandemic but has taken measures to ensure it can continue to operate including introducing safe ways of working for its employees. The Offshore business unit has experienced varied demand during the year but the continued development and launch of new products during the year has allowed it to deliver a solid financial performance. The Aquaculture business unit, particularly in Scotland, has been the subject of proposed regulatory reviews and the impact of these on customer sentiment continues to be monitored. However, the forecasts generated by the Group, which cover the period to July 2022 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.

(d) Functional and presentational currency

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

(e) 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.

(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 recognised in accordance with IFRS 15. Revenue is recognised when a contract with a customer is held and the performance obligation associated with the customer contract has been satisfied. Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or services, excluding discounts, rebates, VAT and other sales taxes or duties. Revenue under service contracts is recognised over time following the performance obligation being satisfied over time.

(h) Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions are met, usually on submission of a valid claim for payment. Government grants of a revenue nature are deducted from administrative expenses in the consolidated statement of comprehensive income in line with the terms of the underlying grant agreement. Government grants relating to capital expenditure are deducted in arriving at the carrying amount of the asset. Government grants relating specifically to Covid-19 support measures have been disclosed as "other operating income".

(i) 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; and
- 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.

(k) Income tax

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.

(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 4 to 5 years
Office Equipment	straight line over 2 to 4 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 exceed 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. 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

(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.

The carrying values of plant, equipment, intangible assets and goodwill as at the reporting date have not been subjected to impairment charges.

(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.

(p) Financial instruments

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

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 at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in 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.

Basic 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.

(p) Cash and cash equivalents
Cash and cash equivalents comprise cash at hand and deposits with maturities of three months or less.

(q) 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.

There were no provisions at 31 March 2021 (2020: £nil).

(r) Share capital
Proceeds on issue of shares are included in shareholders' equity, net of transaction costs. The carrying amount is not re-measured in subsequent years.

(s) Investments
Fixed asset investments in subsidiaries are stated at cost less provision for impairment.

(t) Unlisted Investments
Unlisted investments are stated at cost less provision for impairment.

(u) 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 Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2020:

- Definition of Material - Amendments to IAS 1 and IAS 8;
- Definition of a Business - Amendments to IFRS 3;

- Revised Conceptual Framework for Financial Reporting; and
- Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7.

With an exception of the amended definition of a Business, which will likely result in more acquisitions being accounted for as asset acquisitions, the amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New standards and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods.

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 March 2021 was £243,000 (2020: £647,000). The value of the deferred tax liability at the year-end is £176,000 (2020: £136,000) and which has not been recognised, as it is covered by accumulated tax losses. Further information is included in notes 8 and 23.

Revenue recognition

Judgements are required as to whether and when contractual obligations have been fulfilled and in turn the period over which systems rental revenue should be recognised. Further information is included in note 4.

Useful Economic Life of Assets

Judgements are required as to the useful economic life of Sealfence assets. Further information on all useful economic lives of assets is included in notes 2 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. These judgements are based upon the likely timing and level of future revenues. Development costs are periodically 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 March 2021 was £1,262,000 (2020: £650,000). Further information is included in note 12.

4. Segmental information

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 rental and sale of intelligent acoustic systems designed to deter seals and sea lions from attacking fish farms (Aquaculture), the rentals and sale of underwater measurement and leak detection devices in the Offshore (oil & gas) market and the manufacture and supply of underwater communication and other marine goods in the Connectors division.

All of the Group's revenue have been generated from continuing operations and are from external customers.

	31 March 2021 £'000	31 March 2020 £'000
Analysis of revenue		
Amounts earned from Aquaculture equipment rentals, sales and associated charges	2,553	2,108
Amounts earned from Offshore rentals and sales	505	616
Amounts earned Connectors' sales	859	696
Other sales and development income	136	-
	4,053	3,420

Included within revenue are amounts earned from system rentals and associated charges from two material customers of £1,081,000 and £411,000 (2020: £1,041,000 and £506,000).

	31 March 2021 £'000	31 March 2020 £'000
Analysis of gross profit		
Amounts earned from Aquaculture equipment rentals, sales and associated charges	1,510	1,261
Amounts earned from Offshore rentals and sales	357	517
Amounts earned from Connectors' sales	319	186
Product sales and development income	117	-
	2,303	1,964

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 March 2021 £'000	31 March 2020 £'000
Revenue		
UK	2,818	2,620
Chile	293	298
Asia	150	214

Europe (excluding UK)	454	218
North America	287	70
Rest of the World	51	-
	4,053	3,420

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 March 2021 £'000	31 March 2020 £'000
Depreciation of property, plant and equipment (see note 10)	693	579
Depreciation of right of use assets (see note 11)	118	20
Amortisation and impairment of intangible assets (see note 12)	165	191
Research and development costs	105	-
Exceptional costs	161	-
Government grants relating to Covid-19	(123)	-
Share-based payment charge (see note 25)	55	-
Net foreign exchange (gains)/losses	(8)	2

Exceptional costs relate to one-off and non-recurring costs primarily professional fees incurred In relation to investment activities, financing and share scheme constitution.

Auditor remuneration

	31 March 2021 £'000	31 March 2020 £'000
Audit services:		
Fees payable to the Group's auditor for the audit of the Group and Company annual accounts	25	22
Fees payable to the Group's auditor for the audit of the Company's subsidiaries	40	53
Fees payable to the Group's auditor and their associates for other services to the Group and Company - other non-audit services	-	200
	65	275

The fees payable to the Group's auditor for non-audit services in the previous year related to services provided to OTAQ Group Limited and its subsidiaries prior to the reverse acquisition with Hertsford Capital Plc. Since the date of the reverse acquisition no non-audit services have been provided.

6. Staff costs and numbers

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

	31 March 2021 No.	31 March 2020 No.
Directors	2	-
Administration	20	20
Engineering	7	6
Manufacturing	13	10
	42	36

Directors are nil in the previous year as the executive directors were appointed on 31 March 2020.

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

	31 March 2021 £'000	31 March 2020 £'000
Wages and salaries	1,878	1,967

Wages and salaries	1,878	1,967
Social security costs	206	149
Other pension costs	60	27
	2,144	2,143

Directors' remuneration

Full details of the directors' remuneration, for current directors, is provided in the audited part of the Directors' Remuneration Report.

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 an independently administered fund.

The charge to the statement of comprehensive income in respect of defined contribution schemes was £60,000 (2020: £27,000). Contributions totalling £9,000 (2020: £5,000) were payable to the fund at the year-end and are included in creditors.

7. Net finance costs

	31 March 2021 £'000	31 March 2020 £'000
Finance income		
Bank interest received	-	2
Total finance income	-	2
Finance costs		
Bank and loan interest payable	(5)	(56)
Unwinding of discount on deferred cost	(52)	(101)
Hire purchase interest payable	-	(1)
Lease interest payable	(1)	-
Total finance costs	(58)	(158)
Net finance costs	(58)	(156)

8. Taxation

The tax credit is made up as follows:

	31 March 2021 £'000	31 March 2020 £'000
Current income tax:		
UK corporation tax credit for the year	-	(51)
Adjustments in respect of prior year	(99)	-
Research and development income tax credit receivable	(177)	(62)
Total current income tax	(276)	(113)
Deferred tax expense:		
Origination and reversal of temporary differences	86	-
Tax credit per statement of comprehensive income	(192)	(113)

The tax charge differs from the standard rate of corporation tax in the UK of 19% for the year ended 31 March 2021 (19% for the year ended 31 March 2020). The differences are explained below:

	31 March 2021 £'000	31 March 2020 £'000
Loss on ordinary activities before taxation	(726)	(2,760)
Add back losses incurred in Chile	87	107
Deduct losses in acquired company pre acquisition	-	(67)
UK loss on ordinary activities before taxation	(639)	(2,720)
UK tax credit at standard rate of 19% (2020: 19%)	(121)	(517)
Effects of:		
Fixed assets timing differences	42	-
Expenses not deductible for tax	51	268
Additional deduction for R&D expenditure	(186)	(134)
Adjustments in respect of prior year	(99)	(50)
Prior year losses utilised	55	0
Changes in tax rate	-	(18)

Deferred tax not recognised	66	338
Total taxation credit	(192)	(113)

The Chancellor announced in the Spring 2020 Budget that the corporation tax rate would remain at 19%, rather than falling to 17% for financial years starting on 1 April 2020. This became substantially enacted on the 17 March 2020 through the Provision of Collection Taxes mechanism as a result of Coronavirus.

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 19% (2020: 19%) is £243,000 (2020: £647,000), of which £Nil (2020: £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 also has a deferred tax liability being accelerated capital allowances, for which the tax measured at a standard rate of 19% (2020: 19%) is £176,000 (2020: £136,000) and which has not been recognised, as it is covered by accumulated tax losses.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

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.

In calculating the weighted average number of ordinary shares outstanding (the denominator of the earnings per share calculation) during the period in which the reverse occurs:

(a) The number of ordinary shares outstanding from the beginning of that period to the acquisition date shall be computed, on the basis of the weighted average number of ordinary shares of the legal acquiree (accounting acquirer) outstanding during the period multiplied by the exchange ratio established in the merger agreement; and

(b) The number of ordinary shares outstanding from the acquisition date to the end of that period shall be the actual number of ordinary shares of the legal acquirer (the accounting acquiree) outstanding during that period.

A reconciliation is set out below.

	2021 **£'000**	**2020** **£'000**
Loss for the year attributable to owners of the Group	(534)	(2,636)
Weighted average number of shares:		
- Basic	30,561,747	31,888,358
- Diluted	30,894,123	33,690,270
Basic losses per share (pence)	(1.7)	(8.3)
Diluted losses per share (pence)	(1.7)	(8.3)*

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.

	2021 **£'000**	**2020** **£'000**
Operating loss	(668)	(898)
Share option charge	55	559
Exceptional costs	161	-
Amortisation of intangible assets	165	163
Impairment of goodwill	-	28
IFRS16 depreciation	118	20
Depreciation on property, plant and equipment	693	579
Adjusted EBITDA*	**524**	**451**
Weighted average number of shares:		
- Basic	30,561,747	31,888,358
- Diluted	30,894,123	33,690,270
Adjusted basic losses per share (pence)	1.7	1.4
Adjusted diluted losses per share (pence)	1.7	1.3

Property, plant and equipment

Plant and Motor

	Systems for rental	equipment	vehicles	Total
	£'000	£'000	£'000	£'000
COST				
At 31 March 2019	1,930	63	30	**2,023**
Additions	378	99	20	**497**
Acquisition at NBV	-	8	-	**8**
Disposals	(204)	-	-	**(204)**
At 31 March 2020	2,104	170	50	**2,324**
Additions	557	191	56	**804**
Disposals	(73)	-	(20)	**(93)**
At 31 March 2021	2,588	361	86	**3,035**
DEPRECIATION				
At 1 April 2019	458	30	11	**499**
Depreciation charge for year	547	11	21	**579**
Depreciation eliminated on disposals	(196)	-	-	**(196)**
At 31 March 2020	809	41	32	**882**
Depreciation charge for year	594	83	16	**693**
Depreciation eliminated on disposals	(73)	-	(15)	**(88)**
At 31 March 2021	1,330	124	33	**1,487**
NET BOOK VALUE				
At 31 March 2021	1,258	237	53	**1,548**
At 31 March 2020	1,295	129	18	**1,442**
At 31 March 2019	1,472	33	19	**1,524**

11. Leases

Right-of-use assets

	Buildings and facilities £'000	**Motor vehicles £'000**	**Total £'000**
Cost			
At 1 April 2020	312	-	312
Additions	243	134	377
Disposals	(44)	-	(44)
At 31 March 2021	511	134	645
Accumulated depreciation			
At 1 April 2020	20	-	20
Charge for the year	100	18	118
Disposals	(19)	-	(19)
At 31 March 2021	101	18	119
Carrying amount			
At 31 March 2021	410	116	526
At 31 March 2020	292	-	292

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. This term includes an extension option, which the Group is reasonably certain to exercise.

Amounts recognised in profit and loss:

	31 March 2021 £'000	**31 March 2020 £'000**
Depreciation expense on right-of-use assets	118	20
Interest expense (included in finance cost)	1	-

The total cash outflow for leases amount to £111,000 (2020: £20,000).

Lease liabilities

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

	31 March 2021 £'000	**31 March 2020 £'000**
Year 1	249	78
Year 2	120	73
Year 3	82	55
Year 4	54	47
Year 5	16	39
Total lease liabilities	**521**	**292**

The Group does not face a significant liquidity risk with regard to its lease liabilities. 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
COST					
At 31 March 2019	612	515	142	364	**1,633**
Additions	447	-	-	383	**830**
At 31 March 2020	1,059	515	142	747	**2,463**
Additions	-	-	286	680	**966**
At 31 March 2021	1,059	515	428	1,427	**3,429**
AMORTISATION					
At 31 March 2019	-	-	83	35	**118**
Charge for the year	-	65	36	62	**163**
Impairment	28	-	-	-	**28**
At 31 March 2020	28	65	119	97	**309**
Charge for the year	-	64	33	68	**165**
At 31 March 2021	28	129	152	165	**474**
NET BOOK VALUE					
At 31 March 2021	1,031	386	276	1,262	**2,955**
At 31 March 2020	1,031	450	23	650	**2,154**
At 31 March 2019	612	515	59	329	**1,515**

IP license additions during the year mainly pertained to the intellectual property acquired as a part the acquisition of assets and liabilities of ROS Technology Limited, which took place during the year. 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).

Intellectual property licenses are amortised on a straight line basis over four or five years, development costs are amortised on a straight line basis over six years and trademarks are amortised on a straight line basis over eight years. Amortisation provided during the year is recognised in administrative expenses.

Goodwill
In the year to 31 March 2020, shares were issued for the purchase of the minority interest of 10% in OTAQ Chile SpA valued at £28,000 and this was subsequently impaired.

13. Unlisted investments

	31 March 2021 £'000	31 March 2020 £'000
Unlisted equity securities	297	-
	297	-

Unlisted equity securities pertain to 15% of ordinary share capital of Minnowtech LLC held directly by OTAQ Group Limited.

The directors consider that the carrying amount of unlisted equity securities approximates to their fair value and that no impairment is required at the reporting date.

14. Subsidiaries of the Group

The principal subsidiaries of the Group at 31 March 2021 and 31 March 2020 are as follows:

Subsidiary undertakings	**Country of incorporation**	**Principal activity**	**Class of shares held**	**% Held**
OTAQ Group Limited [1]	England	Fish farm security; rental and sale to offshore and gas industry	Ordinary	100% direct
OTAQ Aquaculture Limited (formerly OTAQ Limited) [2]	Scotland	Fish farm security	Ordinary	100% indirect
OTAQ Chile SpA* [3]	Chile	Fish farm security	Ordinary	100% indirect
OTAQ Offshore Limited (formerly MarineSense Limited) [2]	Scotland	Rental and sale to offshore and gas industry	Ordinary	100% indirect
OTAQ Connectors Limited (formerly Link Subsea Limited) [1]	England	Manufacture and supply of underwater communication and other marine goods	Ordinary	100% indirect
OTAQ Group UK Limited [1]	England	Dormant	Ordinary	100% indirect
OTAQ UK Limited (formerly, OTAQ Lancaster Limited, formerly OTAQ Limited) [1]	England	Dormant	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.

[1] Registered office address: 8-3-4 Harpers Mill, South Road, White Cross, Lancaster, England, LA1 4XF

[2] Registered office address: Crombie Lodge, Aberdeen Innovation Park, Campus 2, Aberdeen, Scotland, AB22 8GU

[3] Registered office address: Pacheco Altamarino 2875, Puerto Montt, Chile

15. Trade and other receivables

	31 March 2021 £'000	31 March 2020 £'000
Current:		
Trade receivables - gross claim value	531	406
Provision for impairment of trade receivables	(28)	-
Prepayments	207	106
Other	150	245
	860	757

Trade receivables are non-interest bearing and are generally due and paid within 30 days. The directors consider that the carrying amount of trade and other receivables approximates to their fair value and that no impairment is required at the reporting date. Trade and other receivables represent financial assets and are considered for impairment on an expected credit loss model. Therefore, there is a provision for impairment at the statement of financial position date of £28,000 (2020: £Nil).

The Group's trade receivables at 31 March 2021 included £nil (2020: £174,000) for OTAQ Connectors Limited (formerly Link Subsea Limited) added at date of acquisition.

The age of net trade receivables is all within one year (2020: one year) and the average gross debtor days calculated on a count back basis were 44 days (2020: 54 days).

16. Income tax asset

	31 March 2021 £'000	31 March 2020 £'000
Research and development tax credit receivable	286	56
	286	56

17. Inventories

	31 March 2021 £'000	31 March 2020 £'000
Stock	899	972
	899	972

The Group's inventories at 31 March 2021 included £nil (2020: £60,000) for OTAQ Connectors Limited (formerly Link Subsea Limited) inventories added at date of acquisition.

The value of inventory provided for as at 31 March 2021 is £97,000 (2020: £90,000). £671,000 of stock was expensed in the year through cost of sales (2020: £664,000).

18. Cash and cash equivalents

	31 March 2021 £'000	31 March 2020 £'000
Cash at bank and in hand	3,120	4,087
	3,120	4,087

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 March 2021 £'000	31 March 2020 £'000
Allotted, called-up and fully paid: 30,763,251 (2020: 30,548,599) Ordinary shares of £0.15 each (2020: £0.15 each)	4,614	4,582

Movements in ordinary shares:

	Number of shares	Share capital	Share premium
	No	£'000	£'000
At 31 March 2020	30,548,599	4,582	2,892
Shares issued during the year	37,240	6	5
Exercise of share options	177,412	26	-
At 31 March 2021	30,763,251	4,614	2,897

During the year, 37,240 of ordinary shares were issued as part of the Share Incentive Plan.

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 and is non-distributable.

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.

Merger relief reserve
The merger relief reserve arose on the Company's reverse acquisition of OTAQ Group Limited 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 March 2021 £'000	31 March 2020 £'000
Current		
Fair value of deferred cash consideration on the acquisition of OTAQ Offshore Limited (formerly MarineSense Limited)	187	230
Fair value of deferred cash consideration on the acquisition OTAQ Connectors Limited (formerly Link Subsea Limited)	28	43
	215	273
Non-current		
Fair value of deferred and contingent consideration on the acquisition of OTAQ Offshore Limited (formerly MarineSense Limited)	-	188
Fair value of deferred cash consideration on the acquisition OTAQ Connectors Limited (formerly Link Subsea Limited)	-	44
	-	232

	31 March 2021 £'000	31 March 2020 £'000
Deferred payment for acquisition movement		
Opening balance	505	418
Additions on acquisition (discounted)	-	87
Unwinding of discount	52	-
Interest paid on deferred consideration	(29)	-
Repayments	(300)	-
Revaluation of the deferred consideration	(13)	-
Closing balance	215	505

As part of the acquisition of OTAQ Offshore Limited (formerly MarineSense Limited) on 23 November 2018, there is a contingent consideration in place in that in the event that on the third anniversary of completion the market value of OTAQ plc's share is less than 64p per share, a sum of up to £250,000 might be payable to the previous owners. The fair value of the contingent consideration of £187,000 was estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 10% and assumed the market value of OTAQ plc's shares on the third anniversary of completion of 36 pence per share. The fair value of the contingent consideration is included in liabilities as shown above.

As part of the acquisition of OTAQ Connectors Limited (formerly Link Subsea Limited) on 29 April 2019, there is deferred cash payment of £50,000, which is due on the second anniversary of completion. The fair value of the deferred consideration of £28,000 was estimated by calculating the present value of the future expected cash flows. The estimates are based on a discount rate of 10%. The fair value of the deferred consideration is included in liabilities as shown above.

22. Trade and other payables

	31 March 2021 £'000	31 March 2020 £'000
Current:		

Trade payables	712	955
Accrued expenses	199	946
Deferred revenue	764	198
Other creditors	133	107
	1,808	2,206
Non-current:		
Other creditors	38	-
	38	-

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. 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.

The Group's trade and other payables at 31 March 2021 included £nil (2020: £195,000) for OTAQ Connectors Limited (formerly Link Subsea Limited) added at date of acquisition.

Non-current other creditors due pertain to the deferred portion of the consideration for the intangible assets acquired during the year.

23. Deferred tax liability

	31 March 2021 £'000	31 March 2020 £'000
Deferred tax liability		
Deferred taxation due to timing differences	88	2
Deferred taxation on intangibles recognised at acquisition	88	88
	176	90

24. Borrowings

	31 March 2021 £'000	31 March 2020 £'000
Interest bearing loans	2,000	487
	2,000	487

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 March 2021 £'000	31 March 2020 £'000
Current liabilities	187	487
Non-current liabilities	1,813	-
	2,000	487

The terms and conditions of outstanding loans are as follows:

			31 March 2021		31 March 2020	
	Nominal interest rate	Date of maturity	Face value £'000	Carrying amount £'000	Face value £'000	Carrying amount £'000
Loans from shareholders	10% p.a.	30 April 2020	-	-	487	487
CBILS loan	The higher of 8% p.a. and the monthly average Sterling Over Night Index Average ("SONIA") plus	1 January 2026	2,000	2,000	-	-

6.0%				
Total interest-bearing liabilities	2,000	2,000	487	487

On 1 February 2021, one of the Company's subsidiaries, OTAQ Aquaculture Ltd, signed a £2,000,000 loan agreement which is supported by the Government's Coronavirus Business Interruption Loan Scheme (CBILS).

The loan was fully drawn on 2 February 2021 and amortised as follows:
- Months 0 - 6: 0% amortisation;
- Months 7 -12: 1% amortisation of initial drawn amount, per tranche, to be paid each month;
- Month 12 onwards: remaining amount to be repaid in equal instalments over the remaining term of the facility.

In addition, 1.5% of the total Facility was paid on completion as the Facility fees. Loans due to shareholders were fully repaid in April 2020.

Liabilities arising from financing activities

	Lease liabilities £'000	Loan to Employee Benefit Trust £'000	CBILS £'000	Loans from shareholders £'000
Balance at 1 April 2020	292	-	-	487
Cash flows				
Repayment of borrowings				(487)
Proceeds from new loans			2,000	-
New loan issued		(150)		
Lease payments	(111)			
Non-cash changes*	340			
Balance at 31 March 2021	**521**	**(150)**	**2,000**	**-**

*This balance includes £377,000 of new leases entered to in the year.

25. Share options

Prior to admission on the Main Market of London Stock Exchange, 438,312 share options equating to 1.43 per cent of the share capital of the Company were granted to Jag Mundi (a director and Chairman of OTAQ Group Limited up to admission), and 1,043,600 share options equating to 3.42 per cent of the share capital were granted to Philip Newby (a director) under the Share Option Scheme, subject to certain performance criteria. All Jag Mundi's shares were exercised during the year.

In addition, 320,000 share warrants equating to 1.05 per cent of the share capital were granted to various key management personnel on admission.

On 16 October 2020, the Company granted further 750,000 of share options to various key management personnel under the Enterprise Management Incentive ("EMI") Share options.

On the same date, 1,043,600 share options, granted to Philip Newby (a director) prior to admission (as disclosed above), were replaced by the following Enterprise Management Incentive ("EMI") and Non-EMI Share Option Schemes (the "Options"):

Type of Option: EMI Option / Non-Qualifying Option	**Option Price**	**Vesting Dates**	**Number of Shares under Option**
EMI Option	£nil	584,416 vest on the date of grant; 10,819 vest on 31 March 2021	595,235
Non-Qualifying Option	£nil	218,773 vest on 31 March 2021; 229,592 vest on 31 March 2022	448,365
Total number of shares under option			1,043,600

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 March 2021		**31 March 2020**
	Average exercise price per share option	**Number of options**	**Average exercise price per share option**	**Number of options**
At 1 April	£0.32	1,801,912	-	-
Granted during the year	£0.24	1,793,600	£0.32	1,801,912

year				
Exercised during the year	£0.01	(177,412)	-	-
Lapsed during the year	£0.01	(229,592)	-	-
Cancelled during the year	£0.01	(1,043,600)	-	-
As at 31 March	£0.30	2,144,908	£0.32	1,801,912

The remaining weighted average contractual life of the share options and warrants at 31 March 2021 is 7.54 years.

Fair value of options granted

The estimated average fair value of 1,793,600 (2020: 1,801,912) options granted during the year was £0.25 (2020: £0.31). The fair value at grant date is determined using an adjusted form of the Black-Scholes model which includes a Monte Carlo simulation model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, and the risk-free interest rate for the term of the option.

The model inputs were:
- share prices at grant date of £0.42 (2020: £0.57);
- exercise prices of £0.001 to £0.595 (2020: £0.001 to £0.50);
- expected volatility of 58% (2020: 40%);
- expected dividend rate of 0% (2020: 0%);
- contractual life of 0 to 3 years (2020: 3 to 10 years); and
- a risk-free interest rate of 1% (2020: 1%).

The total reserve and share-based payment expense recognised in the statement of comprehensive income for the year ended 31 March 2021 in respect of these options granted was £55,428 (2020: £559,000).

229,592 share options granted to Philip Newby have a vesting condition requiring the share price to be £0.728 on or before 31 March 2021. A further 229,592 share options granted to Philip Newby have a vesting condition requiring the share price to be £1.093 on or before 31 March 2022.

On 16 October 2020, share options belonging to Philip David Newby totalling 200 shares in OTAQ Group Limited, which would have converted to 1,043,600 shares in OTAQ plc, were cancelled and replaced with new options totalling 1,043,600. A fair valuation calculation and adjustment for these options was made on 16 October 2020.

26. Commitments and contingencies

Capital commitments
The Group is committed to the following capital expenditure contracted in the current financial year:

	31 March 2021 £'000	31 March 2020 £'000
	1,025	360

Contingencies
There were no contingent liabilities at 31 March 2021 and 31 March 2020.

27. Financial instruments - classification and measurement

Financial assets
Financial assets measured at amortised cost comprise trade receivables and cash, as follows:

	31 March 2021 £'000	31 March 2020 £'000
Trade receivables	503	406
Cash at bank and in hand	3,120	4,087
	3,623	4,493

Financial assets measured at FVPL include the following:

	31 March 2021 £'000	31 March 2020 £'000
Unlisted equity securities	297	-
	297	-

Financial liabilities
Financial liabilities measured at amortised cost comprise trade and other creditors, loans, deferred payment for

acquisition and lease liabilities as follows:

	31 March 2021 £'000	31 March 2020 £'000
Trade payables	751	955
Other creditors	133	107
Loans	2,000	487
Deferred payment for acquisition	215	505
Lease liabilities	521	292
	3,620	2,346

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 risk is therefore limited in the short to medium term given current low SONIA rates. The reduction of interest received on cash surpluses held at bank is based on a floating rate of interest. 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 March 2021			31 March 2020		
	Fixed rate	Floating rate	Total	Fixed rate	Floating rate	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	-	3,120	3,120	-	4,087	4,087
Interest bearing loans	(2,000)	-	(2,000)	(487)	-	(487)
Total	(2,000)	3,120	1,120	(487)	4,087	3,600

(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 not dependent on any external borrowings.

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 March 2021	**31 March 2020**
	£'000	£'000
Trade and other payables		
Less than 2 months	846	1,062
Other financial liabilities		
Less than 2 months	100	273
3 months - 1 year	551	565
1 - 5 years	2,123	446
Total	3,620	2,346

(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 £5,733,000 at 31 March 2021 (31 March 2020: £6,180,000).

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. The Group had £503,000 of trade receivables at the year end (2020: £406,000). 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 March 2021 or at 31 March 2020 and the Group did not enter into any such contracts during 2021 nor 2020.

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

	31 March 2021						**31 March 2020**			
	GBP	CLP	USD	AUD	EUR	Total	GBP	CLP	EUR	Total
	£'000	£'000	£000	£000	£'000	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	3,048	30	41	-	1	3,120	4,061	22	4	4,087
Trade receivables	359	76	40	-	28	503	359	42	6	407
Trade payables	(713)	(6)	(2)	(30)	-	(751)	(735)	(220)	-	(955)
Total	2,694	100	79	(30)	29	2,872	3,685	(156)	10	3,539

Sensitivity analysis to movement in exchange rates

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

(f) 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 March 2021 £'000	31 March 2020 £'000
Charges incurred during the year by OTAQ Aquaculture Limited:		
Corsie Technology Limited - a company controlled by a director		
For goods and services provided	32	97

	31 March 2021 £'000	31 March 2020 £'000
***Balances outstanding at year end with OTAQ Aquaculture Limited*:**		
Corsie Technology Limited - a company controlled by a director		
Invoices payable by the Company	-	-

Balances and transactions between the Company and its subsidiaries are eliminated on consolidation and are not disclosed in this Note.

30. Subsequent events

On 7th May 2021, one of the Company's subsidiaries, OTAQ Group Limited, invested US$300,000 in Blue Lion Labs LLC, a company incorporated in Ontario, Canada, in return for a 10% equity stake.

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