

ENTEQ UPSTREAM PLC

ANNUAL REPORT

FOR THE YEAR TO 31 MARCH 2018

REGISTERED NUMBER: 07590845 (England and Wales)

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Operational Highlights, Financial Metrics and Outlook

Key features

- Return to positive EBITDA
- North American market stabilised at new oil price and rig count
- Re-built production capacity
- Investment in new technologies
- Maintained cash reserves for future investment

Financial metrics

	Years ended 31 March:	
	2018	2017
• Revenue	\$6.5m	\$4.8m
• Adjusted EBITDA ¹	\$0.2m	\$(0.5)m
• Loss before tax	\$0.6m	\$1.1m
• Adjusted loss per share ²	0.8 cents	1.7 cents
• Loss per share	1.0 cents	2.0 cents
• Cash balance	\$15.5m	\$15.3m

Outlook

- Core market of USA land drilling expected to remain near current levels
- International markets show further promise although cash constrained
- Enteq market share maintained or improved
- New products, technologies and partnerships will increase available market

¹ Adjusted EBITDA is reported profit before tax adjusted for interest, depreciation, amortisation, foreign exchange movements, Performance Share Plan charges and exceptional items.

² Adjusted loss per share is reported loss per share adjusted for amortisation, foreign exchange movements and exceptional items.

Company Information

For the year to 31 March 2018

DIRECTORS:

Chairman

Iain Paterson

Chairman of the Board, Chairman of Nomination Committee

Executive Directors

Martin Perry

Chief Executive Officer

David Steel

Finance Director

Non-Executive Director

Robin Pinchbeck

Chairman, Remuneration and Audit Committees

SECRETARY

David Steel

REGISTERED OFFICE

The Courtyard

High Street

Ascot

Berkshire

SL5 7HP

REGISTERED NUMBER

07590845 (England and Wales)

AUDITORS

Grant Thornton UK LLP

Registered Auditors

1020 Eskdale Road

Winnersh

Wokingham

RG41 5TS

NOMINATED ADVISER & BROKER

Investec Bank plc

2 Gresham Street

London

EC2V 7QP

LEGAL ADVISORS

CMS Cameron McKenna Nabarro Olswang LLP

Cannon Place

78 Cannon Street

London

EC4N 6AF

REGISTRARS

Computershare Investor Services PLC

The Pavilions

Bridgwater Road

Bristol BS99 6ZZ

Strategic Report

The above starts with the Chairman's statement and continues to the end of the Principal Risks and Uncertainties.

Chairman's Statement

Review of the Year

This year's financial results have been encouraging. Revenue has increased and, importantly, there has been a return to profitability at the EBITDA level. Cash reserves during the year have increased once again even though investment in Engineering, Product Development and increases in the rental fleet have continued. This has been achieved as a result of prudent and decisive management initiatives taken throughout the down-turn and which have continued into this current period.

The global oil and gas market has found a new, more stable, level of activity during the year. Following a number of years of turbulence, with a dropping oil price and unpredictable rig utilisation creating difficulties for the entire sector, a year of relative stability has allowed for some more organised and rational planning.

Enteq remains heavily dependent on the North American directional oil drilling market but has established further in-roads into the markets in the Far East and Middle East. The rig count in North America is now approximately 1,000, up from 840 in April 2017 and 420 in April 2016, but still significantly below the 2,000 plus in 2014.

Enteq's electronic and sensor equipment is sold as a capital, re-useable, asset and consequently it was feared that some significant over capacity would remain in the market even during a recovery period. However, through a proactive scheme of upgrading and replacing older equipment, Enteq has effectively re-established a secure customer base.

Several technical advances were made during the year. Utilising a grant received from Innovate UK, a funding body of the UK government, Enteq has made good progress in the development of an innovative inclination sensor which will be applicable to both existing and new markets. Patents have been filed in relation to a novel power and data communication system for Logging While Drilling and IP with potential for improving "in-well" data transmission rates has been purchased.

During the year, the electronic and sensor manufacturing was successfully relocated from leased premises in California to a newly re-furnished facility within the existing Enteq freehold site in Houston. As Enteq's US customer base is largely within the greater Houston area, this move improves both support and repair responsiveness as well as enhancing the critical mass at the Houston operations, where headcount is now growing again.

The core staff have remained very loyal to Enteq during a difficult few years and the Board thanks them for their support.

Prospects

The recent oil price stability has allowed greater certainty to be placed on medium-term planning throughout the industry. North American drilling is again delivering good returns from shale producing oil. Outside North America there are increasingly more initiatives to exploit shale-based oil and gas and also further investment in conventional drilling and production.

Enteq is well positioned with both their current and evolving technologies to support all new drilling opportunities.

Iain Paterson

Chairman

Chief Executive's Operating and Strategic Review

Introduction

Enteq has completed a further year of tight cost and cash control whilst endeavouring to take advantage of a recovering market. The financial results have been pleasing, with a return to positive EBITDA and further increases in cash reserves. Market share has been maintained or increased in North America and further international progress has been achieved. Investment has continued in technology and product development as well as increasing the rental assets. Operational rationalisation has continued with further efficiencies and enhanced customer support capability.

Strategy & Business Model

Enteq supplies Measurement While Drilling (MWD) equipment to the oil and gas industry world-wide to enable directional drilling.

Directional drilling is carried out by oilfield service companies who either purchase equipment from third parties such as Enteq or develop the equipment themselves. Measurement While Drilling equipment is used on every rig which drills directional wells.

A sharp reduction in the price of crude oil in 2015 gave rise to an uncertain period in the market for the last 3 years, however, coming in to 2018, the price of oil has stabilised and the key market indicator of the North American rig count has continued to increase to the current level in excess of 1,000 compared to 840 in April 2017 and 420 in April 2016. However, this remains significantly below the 2,000 plus level of 2014. Although activity levels have improved, the pricing in the market generally remains under pressure with margins for operators, service companies (Enteq customers) and suppliers continuing to be squeezed.

The directional drilling market is divided between the 'major' service companies who are vertically integrated using their own equipment, and the 'independents' who need to acquire equipment, such as the Measurement While Drilling equipment provided by Enteq, from third parties. Enteq supplies a competitive solution with an excellent record of reliability and also offers good financial terms on rental and purchase options. Enteq has maintained good relationships with the independent service companies and maintained market share.

Outside North America, Enteq equipment continues to prove its capability in China, Russia, Saudi Arabia, Oman and Indonesia. Despite local competition, Enteq has significant further opportunities.

Reporting & performance indicators

A set of Key Performance Indicators are in place. These are reported weekly to senior management who review, initiate action where required and follow-up. The following Key Performance Indicators are used:

Financial:

- Sales, gross profit margin, adjusted EBITDA, order intake and backlog, accounts receivable ageing, inventory levels, rental fleet numbers and capital expenditure.

Other performance measures:

- Headcount, production hours worked, number of reportable Health and Safety Executive ("HSE") incidents.

Key market indicators regularly monitored by management and Board of Directors include: Global Rig Count, North American Rig Count, West Texas Intermediate ("WTI") Oil Price and Henry Hub Natural Gas Price.

Product development

Enteq has invested further in its core disciplines within engineering and software development.

New development and patent applications related to Logging While Drilling connectivity have been progressed, a purchase of IP related to a potential new downhole communication has been completed, and the funded programme of development of additional sensors for potential Geothermal wells is on-track.

People

Following a harsh downsizing of the business, Enteq is now re-building a team based around the crucial core team that remained through the industry down-turn. Group headcount has increased from the skeleton crew of 19 last year (US: 14, UK: 5) to 33 at the end of March 2018 (US: 26, UK: 7).

Facilities

Enteq has completed further consolidation of operating locations by transferring the electronic / sensor manufacturing capabilities from leased premises in Santa Clara, California to re-furbished, owned, state of the art, facilities in Houston, Texas. The transition was achieved with the full co-operation of all staff, a number taking up the option of a transfer to Houston, without any disruption to production or quality control. The 5-acre South Houston facility, owned by Enteq, now contains all the Enteq product line and is able to demonstrate to customers the full company capabilities.

For international business development, senior finance and management Enteq also operates from a rented office in Amersham, UK.

Sales & Marketing

Regular contact is maintained with the customer base from the Group's operational hub in Houston and by the Chief Operations Officer in North America. International opportunities and sales are generated from the UK office and by a representative in China. Business development trips are made as and when required.

Future strategic direction

Enteq is operating a strong, profitable, cash generative business in a sector which is in recovery, is sustainable long term, and is expected to grow. Enteq has a strong balance sheet, and also has the ability to raise further funds, should incremental opportunities be available. Through investment in technology, both in-house and through partnerships, the market being addressed can be enlarged. The current customer base, and therefore market share, remains strong. Additional growth outside North America is expected.

Governance

Enteq is committed to maintaining high standards of Corporate Governance. As an AIM traded Company, Enteq is not obliged to follow, and therefore has not adopted, the UK Corporate Governance Code (April 2016). However, we seek to comply with its provisions where we consider them to be relevant to the company. More details are given on page 24.

Conclusion

Enteq has managed the business through difficult market conditions. Cash has been preserved, there has been a return to profitability and strategic investment has been maintained.

Core competencies are in place, technical differentiation is being improved and market share maintained. The business is poised for growth opportunities.

Martin Perry

Chief Executive Officer

12 June 2018

Financial Review

Income Statement

Year to 31 March:	<i>2018</i>	<i>2017</i>
	<i>\$ million</i>	<i>\$ million</i>
Revenue	6.5	4.8
Cost of Sales	(2.2)	(1.7)
Gross profit	4.3	3.1
Overheads	(4.1)	(3.6)
Adjusted EBITDA	0.2	(0.5)
Depreciation & amortisation	(0.8)	(0.5)
Other charges	(0.1)	(0.2)
Ongoing operating loss	(0.7)	(1.2)
Other exceptional items	(0.1)	-
Interest	0.2	0.1
Loss before tax	(0.6)	(1.1)
Tax	-	(0.1)
Loss after tax	(0.6)	(1.2)

The improvement in the results for the year ended 31 March 2018 arise from the stabilization of the North American market. The price of a barrel of West Texas Intermediate (“WTI”) has risen from \$49 at the start of April 2017 to \$65 as at 31 March 2018; in addition, the price has not dropped below \$55 since mid-November 2017. This price progression has resulted in the North American rig count rising from approximately 840 at the start of the financial year to just over 1,000 at the end. As Enteq’s revenue is derived from both rigs being added to customers’ fleets and on-going replacement of equipment during rig operation, the North American derived turnover rose from \$3.4m to this year’s \$6.0m. Internationally, the market continues to be both cashflow constrained and subject to the uncertain timing of big ticket projects. Enteq’s international revenue is down from \$1.4m to \$0.5m.

The full year gross margin was 67%, up on the 65% of the previous year. This is primarily due to the increasing level of rental revenue as a result in the investment in the rental fleet (up from 10% of revenue in the year to 31 March 2017 to 15% of revenue this year).

Total overheads, at \$4.1m, were up \$0.5m on last year’s figure. This reflected the increased costs in the second half of the year, primarily due to:

- the increase in non-production and development costs of expanding the engineering and mechanical component teams, including recruitment costs;
- the increase in activity related general overheads, such as subsistence and travel; and
- the “ramp up” costs associated with setting up the new electronic component production facility at South Houston (the leased Santa Clara facility being closed in Mid-March 2018).

Note that the actual relocation cost of the electronic component production move of \$0.1m is shown within the exceptional items.

The combined depreciation and amortisation charge was up due to the deprecation charge relating to the rental fleet increasing from \$0.2m last year to \$0.6m this year. This reflects the carrying value of the rental fleet growing from \$0.5m as at 31 March 2017 to \$2.1m at the end of this year.

The “Other charges” included in the ongoing operating loss for the year primarily relate to the non-cash charge associated with the Performance Share Plan.

Statement of Financial Position

Enteq's net assets at the year-end comprised of the following items:

As at 31 March:	<i>2018</i>	<i>2017</i>
	<i>\$million</i>	<i>\$million</i>
Other intangible assets	1.2	0.6
Property, plant & equipment	2.3	2.3
Rental fleet	2.1	0.5
Net working capital	2.5	5.0
Cash	15.5	15.3
Net assets	23.6	23.7

The "Other intangible assets" represent the value of the on-going R&D work, carried out by the engineering team, capitalised to date, less the amortisation relating to the products fully commercialised (primarily software releases).

The net book value of property, plant & equipment has remained at \$2.3m due to the increase of \$0.1m relating to the investment in constructing the new electronic component facility at South Houston being offset by a similar depreciation charge.

The increase in the net book value of the rental fleet reflects the number of kits rising from 6, as at 1 April 2017, to 14 at the year-end combined with the increasing value of components included in the new kits.

The \$2.5m decrease in net working capital is due to the management's focus on the cash impact of this item. During the year there was a reduction in trade debtors (\$1.6m) and increase in trade creditors and accruals (\$0.9m).

Cash flows

Year to 31 March:	<i>2018</i>	<i>2017</i>
	<i>\$ million</i>	<i>\$ million</i>
Adjusted EBITDA	0.2	(0.5)
Change in net working capital	2.6	1.2
Operational cash generated	2.8	0.7
Investment in R&D	(0.7)	(0.4)
Investment in rental fleet	(2.2)	(0.4)
CAPEX	(0.2)	-
Equipment disposal proceeds	0.1	-
Interest and share issues	0.4	0.3
Net cash movement	0.2	0.2
Opening cash balances	15.3	15.1
Closing cash balances	15.5	15.3

The increase in R&D spend reflects the expansion of the engineering team during the second half of the year plus the legal fees regarding filing patent applications in order to protect intellectual property being created.

The robustness of the balance sheet enabled Enteq to expand its customer base by continuing to offer rental terms, with the number of kits rising from 6 as at 1 April 2017 to 14 at the year end.

The CAPEX relates to the cost of constructing the new electronic component facility at the South Houston site.

Financial Capital Management

Enteq's financial position continues to be robust. Enteq had no bank borrowings or other debt and had a closing cash position of \$15.5m as at 31 March 2018.

Enteq monitors its cash balances daily and operates under treasury policies and procedures which are set by the Board.

The financial statements are presented in US dollars as the Company's primary economic environment, in which it operates and generates cash flows, is one of US dollars. Apart from its UK based overhead costs, substantially all other transactions are transacted in US dollars.

Enteq is subject to the foreign exchange rate fluctuations to the extent that it holds non-US Dollar cash deposits. These GBP denominated holdings are now approximately 1% of total cash holdings, down from last year's 6% due to timing differences in converting USD to GBP.

Annual General Meeting

The Company's Annual General Meeting will be held on 26 September 2018 at 12.00 noon at the offices of Investec Bank plc, 30 Gresham Street, London EC2V 7QP.

David Steel

Finance Director

12 June 2018

Review of Principal Risks and Uncertainties

The Board is responsible for the Group's risk management and during the year has undertaken a systematic review of the key risks and uncertainties which face the Group. The Board establishes the framework for risk management across the Group. It seeks to embed risk management and to facilitate the implementation of risk management measures throughout the Group's businesses. The Board refines its view of risks on an on-going basis and as the Group's businesses enter new markets and develop new products.

The Directors believe the following risks to be the most significant for the Group. The mitigating activities described below will help to reduce the likelihood or impact of each risk occurring, although the Board recognises that it will not be possible to eliminate these risks entirely. The risks listed do not necessarily comprise all those relating to the Group's operations, or with an investment in the Group.

If any of the following risks were to materialise, the Group's businesses, financial condition, results or future operations could be materially adversely affected.

INDUSTRY SPECIFIC RISKS

Fluctuations in oil and gas prices

Short-term fluctuations in oil and gas prices may lead to uncertainty in the oil and gas industry which can lead to reduced investment in equipment by the Group's customers. In addition, a longer term fall in oil and gas prices could reduce levels of cash flow in the industry which could in turn lead to the reduction or deferral of expenditure in the reach and recovery market.

Although not under the Board's control, the Board actively monitors key energy commodity prices and other industry parameters and if appropriate, acts expeditiously to manage costs and working capital as necessary.

Economic fluctuations in territories where the Group's products are used

Economic fluctuations in territories where the Group's products are used create uncertainty and discourage investment. The Group's products are used by service companies, which may deploy its equipment and services in territories outside their national markets. Fluctuations in such territories could reduce the market size for the Group's products.

Management and the Board, using their experience and judgment, monitor political and economic developments as appropriate in order to minimise, where possible, the impact of such adverse events on the Group. Further, the Group's strategy of diversifying its customers, product lines and geographic markets helps to mitigate these risks.

RISKS RELATING TO THE GROUP'S STRATEGY

Acquisition opportunities

The Board continues to adopt a cautious approach to acquisition opportunities. The Board continues to monitor and assess potential earning enhancing acquisitions.

GROUP SPECIFIC RISKS

Dependence on key personnel

The future success of the Group is substantially dependent on the continued services and continuing contributions of its Directors and key employees. The loss of the services of any of its Directors or other key employees could have a material adverse effect on the Group.

The Board believes dependence on key personnel is an acceptable risk. However, the Board periodically reviews the capability and availability of the necessary skills to manage the Group and will seek suitable replacements or additions where appropriate.

With the increase in staff numbers during the year, this risk has decreased. The Board continues to balance this risk with the requirement to keep overhead spend constantly under review.

Dependence on key customers

The Group is dependent on a relatively small number of key customers and the size of any individual order may be substantial. The timing of these orders may materially impact on the Group results. The loss of business due to any North America based customer going out of business has decreased during the year due to the stabilization of the oil price and rising rig count numbers.

As well as active management of key customer relationships, the Group's strategy also involves broadening the customer base especially outside North America, providing mitigation against such dependence.

Cash balances

The level of the Group's cash balance gives the Board significant comfort as to the future viability of the Group. The majority of cash is held in deposit accounts in USD.

NON-SPECIFIC RISK FACTORS**Health, Safety & Environment**

Safety is one of our core priorities. The Group is subject to a number of Health, Safety & Environment ("HSE") laws and regulations that affect its operations, facilities and products in each of the jurisdictions in which it operates. The Group is committed to operating in compliance with all HSE laws and regulations relating to its products, operations and business activities. However, there is a risk that it may have to incur unforeseen expenditures to cover HSE liabilities, to maintain compliance with current or future HSE laws and regulations or to undertake any necessary remedy.

The Board closely monitors safety reporting and HSE compliance both at each monthly meeting and during visits to the Group's businesses. The group has the appropriate insurance policies in place to cover any actions brought against related to breaches in health and safety.

Infringement upon intellectual property rights

Patents and/or Know-How owned by the Group may be challenged by third parties and may not be enforceable in certain parts of the world. In addition, agreements concerning intellectual property rights entered into by the Group could be terminated and may have an adverse effect upon the Group's business.

Where appropriate the Group protects the validity of its intellectual property via thorough patent and trademark applications and will robustly defend any claims against it, if appropriate.

Business Interruption

Business interruption may occur as a result of a number of events, which are either within or outside the Group's control. These include: the failure or unavailability of operational and IT infrastructure; delay or interruptions in the availability of products or services provided by third-party suppliers and natural disasters such as earthquake, flooding and storms.

Mitigation is achieved by having a business continuity plan, relevant insurances and managing dependence on key supplier relationships.

Threats to Cyber security

A compromise of the Group's IT systems could cause significant disruption in production, shipments and cash collection and lead to financial, intellectual property or commercially sensitive data losses.

The Group is mindful of the risk of cyber-attacks and breaches of cyber security. The company maintains appropriate controls (such as IT system password protection, managing user access and privileges, malware protection and network security) and compliance with relevant data protection regulations.

The Strategic Report set out on pages 4 to 12 was approved by the Board of Directors on 12 June and signed on its behalf by:

Martin Perry

Chief Executive Officer

12 June 2018

Corporate Social Responsibility

Enteq is committed to developing relationships with its key stakeholders – employees, shareholders, customers, suppliers and communities within the areas we operate. This report describes the policies and responsibilities which Enteq has adopted to ensure that it is and remains a responsible global corporate citizen.

Our commitment to shareholders, employees and other key stakeholders is to create a sustainable organisation, capable of delivering long-term positive returns and providing stability to our employees.

The Group has implemented key policies in respect of:

- Anti-bribery and Corruption
- Embargo compliance
- Data protection and privacy
- Corporate ethics & standards code of conduct, including employee ‘speak up’ policy

In addition, the Group has implemented procedures to ensure that it:

- communicates appropriately with shareholders and employees;
- meets all health, safety and environmental legislative requirements; and
- meets the highest standards of business ethics in all its dealings, including strict compliance with both UK and US legislation introduced to prevent bribery

Investor Communications

Communicating with the Company’s shareholders is of key importance to the Directors. We do so by press releases, issued via the London Stock Exchange and institutional investor presentations. The Chief Executive and Finance Director meet with major shareholders at least twice a year, following the announcement of the Group’s half and full year results.

Employees

We continue to recognise that our employees are our most valuable asset. Both senior and local management have ensured that all staff are kept informed of the changes to our trading patterns and fully explained the reasons behind the actions taken during the year. As at 31 March 2018, the Group had 33 employees (2017: 19).

Health and Safety

The Group is committed to achieving and maintaining the highest standards of safety for its employees, customers, suppliers and the public. Enteq aims for best practice and employs rigorous health and safety practices.

Health and Safety policies include:

- Regular audit and maintenance reviews of facilities, equipment, practices and procedures to ensure compliance with prevailing standards and legislation and a safe environment for all those who work within and around our facilities.
- Seeking accreditation and alignment with internationally recognised Quality Assurance standards.
- Monitoring and reporting to each Board meeting.
- Appropriate training and education of all staff.

The Group’s target is to achieve zero recordable incidents. Each local business is required to develop tailored policies to reflect its daily business. These incorporate the Group’s approach to putting safety first and, at a minimum, to comply with local regulatory requirements.

During the year, there were no fatalities across the Group’s operations with no reportable incidents (2017: nil).

Environment

The Group is committed to the protection of the environment and developing manufacturing processes and procedures which ensure that any adverse effects on the environment are kept to a practicable minimum. We take the view that sustainable development is in the interests of all our stakeholders and include environmental issues in our planning and decision-making.

The Group's environmental policy is to look for opportunities and adopt practices that create a safer and cleaner environment. We are particularly sensitive to the challenges for the industry in which we operate.

Key aspects of our environmental policies include:

- Keeping any adverse effects on the environment to a practicable minimum.
- Encouraging the reduction of waste and emissions and promoting awareness of recycled materials and use of renewable resources.
- Encouraging employees to pay special regard to environmental issues and requirements in the communities in which the Group operates.
- Incorporating health, safety and environment considerations into the design of new facilities.

Business Ethics

The Group's Directors and employees promote the highest standards of honesty and integrity in the way it goes about its business, recognising that the Group's reputation is of critical importance in the industry in which we operate.

Through the Group's Code of Conduct and compliance with the UK Bribery Act and the US Foreign and Corrupt Practices Act, the Group has policies and controls in place detailing procedures on how the Group interacts with customers, suppliers and governments around the world. These include a Global Gift and Entertainment Guideline which codifies the standards and conduct which we set for our employees' interactions with customers, suppliers and other external parties.

David Steel

Company Secretary

12 June 2018

Report of the Directors

For the year to 31 March 2018

The directors present their report with the financial statements of the Group and the Company for the year to 31 March 2018.

DIRECTORS

The directors holding office at the year end are as follows:

Martin Perry *Chief Executive Officer*

Martin Perry (56), formerly CEO of Sondex plc. Martin entered the oil industry in 1984, initially as a field engineer after gaining an engineering degree at Exeter University. Martin then worked in the IT and Data Communications industry, before leading the Management Buy Out at Sondex. Following the acquisition of Sondex by GE in 2007, Martin was appointed CEO of GE's Oilfield Technologies Division and subsequently served as Non-Executive Chairman of 3 private equity-backed businesses.

David Steel *Finance Director*

David Steel (57), is a Chartered Accountant who qualified in KPMG's London office. David has held senior finance positions in a wide variety of industries including international trade exhibitions and aerospace manufacturing. Prior to joining Enteq he was Deputy Finance Director of a global provider of geoprediction tools to the upstream oil and gas industry.

Iain Paterson *Non-Executive Chairman*

Iain Paterson (71), formerly Chairman of Sondex plc and ITE Group plc, Non-Executive Director of Hunting plc, Paladin Resources plc, MOL NyRt and of the Advisory Board of the Oman Oil Company, Iain has over 45 years' experience in the oil industry. He held senior management positions at BP and was a main Board director of Enterprise Oil plc. Iain also chairs the Company's Nomination Committee.

Robin Pinchbeck *Non-Executive Director*

Robin Pinchbeck (65), formerly Executive Director at Petrofac Limited, where he founded and led the Operations Services division, from 2002 until IPO in 2005. His earlier career included senior management roles at BP plc. Former non-executive directorships include IGas plc, Sparrows Offshore Group Limited (Chairman), Sondex and EnQuest plc. Robin chairs both the Company's Audit and Remuneration Committees.

No director requires re-election at the forthcoming Annual General Meeting.

Dividends

No dividends will be distributed for the year ended 31 March 2018 (year ended 31 March 2017: nil).

Changes in the Group during the Financial Year

There were no changes during the current financial year.

Post Balance Sheet Events

There were no post balance sheet events.

Research and Development

The Company maintains its commitment to research and development through the activities undertaken by the Engineering team, now based in the South Houston location.

Risks and uncertainties

A review of the key risks and uncertainties affecting the Group is set out on pages 11 and 12. The Group's exposure to key financial risks is set out in note 25 to the financial statements.

Directors' and Officers' Liability Insurance

The Company maintains insurance against certain liabilities, which could arise from a negligent act or a breach of duty by its Directors and Officers in the discharge of their duties. This is a qualifying third party indemnity provision, which was in force throughout the financial year.

Annual General Meeting

The Annual General Meeting of the Company will take place on 26 September, 2018 at 30 Gresham Street, London EC2V 7QP commencing at 12.00 noon. At the meeting, as well as routine matters, members will be asked to receive the Report of the Directors and Accounts and to approve the auditors and their remuneration. Further details of the resolutions are set out in the letter concerning the Annual General Meeting, which accompanies the Notice of the Annual General Meeting.

Powers of the Directors

Subject to the Company's Articles of Association, UK legislation and any directions prescribed by resolution of the Company in general meeting, the business of the Company is managed by the Board. The Directors have been authorised to allot and issue Ordinary shares and to make market purchases of the Company's Ordinary shares. These powers are exercised under authority of resolutions of the Company as adopted at incorporation.

Share Capital

The Company's issued share capital comprises Ordinary shares of 1p each and Incentive shares of £1 each. As at 31 March 2018, there were 62,137,656 Ordinary shares and 50,000 Incentive shares in issue. The movements in share capital during the year are set out in note 18.

Voting Rights and Restrictions on Transfer of Shares

On a show of hands at a general meeting of the Company, every holder of Ordinary shares present in person or by proxy, and entitled to vote, has one vote, and, on a poll, every member present in person or by proxy and entitled to vote has one vote for every Ordinary share held. The holders of the Incentive shares have no rights to vote or receive dividends. Further details regarding voting at the Annual General Meeting can be found in the notes to the Notice of the Annual General Meeting. None of the Ordinary shares carry any special rights with regard to control of the Company. Proxy appointments and voting instructions must be received by the Company's Registrars not later than 48 hours before a general meeting.

A shareholder can lose his entitlement to vote at a general meeting where that shareholder has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares. Shareholder's rights to transfer shares are subject to the Company's Articles of Association.

Substantial Interests

As at the latest practicable date prior to publication of this report, pursuant to the Disclosure and Transparency Directive, issued by the Financial Conduct Authority, the major shareholders (over 4%) of the Company were as follows:

<u>Shareholder</u>	<u>Number of Ordinary shares held</u>	<u>Percentage of issued Ordinary Shares</u>
Hargreave Hale	6,355,000	10.2
Allianz Global Investors	5,620,000	9.0
Soros Fund Mgt	5,227,420	8.4
Enteq Upstream plc Directors & Related Parties	5,040,257	8.1
City Financial	3,900,341	6.3
Mr P R Evershed	3,115,000	5.0
Hargreaves Lansdown Asset Mgt	3,020,714	4.9

Political Donations

During the year the Company made no political donations.

Registrar

The address and contact details of Computershare, the Company's Registrar, are listed at the front of this report. Computershare is the Company's single alternative inspection location, whereby individuals can inspect the register of members. Individual shareholders may view their personal shareholder information online, through the www.computershare.co.uk website.

Articles of Association

The Company's Articles of Association may only be amended by special resolution at a general meeting of shareholders. Where class rights are varied, such amendments must be approved by the members of each class of share separately.

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS 101) and applicable laws including the Companies Act 2006. Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Company and Group for that period. In preparing these financial statements, the directors are required to:

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

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

Statement as to Disclosure of Information to Auditors

The directors confirm that, in so far as each of the directors is aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

Going Concern

The Group has significant cash resources and is now operating in a stabilised market, especially in North America. As a consequence the directors believe that the Group is well placed to manage its business risks successfully.

Accordingly, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and consequently have adopted the going concern basis of accounting in preparing these financial statements.

Auditors

Grant Thornton UK LLP will be proposed for reappointment at the forth coming Annual General Meeting in accordance with Section 489(4) of the Companies Act 2006.

Signed on behalf of the Board

David Steel

Company Secretary

12 June 2018

Remuneration Committee Report

For the year to 31 March 2018

Introduction

The Company is AIM-listed and therefore is not legally required to set out its remuneration policy but it is doing so on a voluntary basis. To the extent that such principles are relevant to the current circumstances of the Company, the provisions of inter alia the Directors' Remuneration Report Regulations 2008 and the UK Corporate Governance Code (April 2016) are taken into account. As required by AIM Rule 19, the Company has disclosed the remuneration received by its directors during the financial period.

Remuneration Committee

The Remuneration Committee is responsible for determining the remuneration of the chairman and the executive directors, including setting competitive salaries, annual performance targets and participation in the Company's executive share-based incentive plans. The Committee also takes account of the remuneration policy for the Group's senior executives.

Remuneration policy

The Company's remuneration policy aims to encourage a performance-based culture, attract and retain high calibre executive directors and align executive directors' and shareholders' interests. In determining such policy the Remuneration Committee takes into account all factors which it deems necessary, including the Company's wider pay structures. The objective of the policy is to ensure that executive management are provided with appropriate incentives to encourage enhanced long-term performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Company.

The remuneration policy of the Company has a number of principal components:

Salary and benefits

Basic salaries are determined by the Remuneration Committee bearing in mind the salaries paid in AIM-listed and other same-sector companies. Executive directors also receive taxable benefits including life insurance policies and healthcare.

The Remuneration Committee has considered the requirements of the UK Corporate Governance Code (April 2016) to set an upper limit for executive pay levels. However, the committee also recognises the need to attract and incentivise management and therefore does not believe it is appropriate to set such limits at this stage of the Group's development, although the appropriateness of all incentive packages are considered by the Committee. Any bonus will be subject to Remuneration Committee approval. The Remuneration Committee will continue to monitor this policy.

Annual Bonus Plan

The annual grant of bonuses is conditional upon the achievement of targets by reference to agreed financial performance measures. The scheme is applicable to all executive directors. For the financial year ended 31 March 2018, the targets related equally to the group achieving an underlying adjusted EBITDA in line with the previously, Board approved, budget and positive cash generation during the year. Both financial targets were achieved and thus, the Remuneration Committee decided to pay the full amount as provided under the scheme.

Long-term Incentive and Share Option plans

The Company believes that employee share ownership strengthens the link between their personal interests and those of the shareholders. Consequently, the Company has put in place a Share Option Plan. All Group employees participate in the Plan, except for members of the Board and two senior executives. David Steel still holds some shares from his time as an employee. The executive directors (Martin Perry and David Steel) plus two senior executives are incentivised via the PSP scheme (see below).

On 17 September 2014, the Company introduced a Performance Share Plan ("PSP") for the Executive Directors and other key senior executives. The Remuneration Committee were given the power to grant awards at the nominal value of the shares, but the exercise of which is subject to certain performance conditions. Such awards will lapse if not exercised within 10 years of grant. The participants in this Plan are no longer eligible for awards under the Share Option Plan or other Long-term Incentive Plan. The details of the grants awarded under all incentive plans, to date, are shown in a table on page 20.

Directors' service contracts

All executive directors are employed under service contracts. The services of all executive directors may be terminated by the provision of a maximum of 12 months' notice by the Company and the individual. Services of Non-Executive directors may be terminated by the provision of a maximum of 3 months' notice by the Company and the individual.

Directors' remuneration

The information contained within the Directors' Remuneration section of this report has been audited.

The annual remuneration rates of the directors in office during the year ended 31 March 2018 were as follows (all salaries denominated in £ Sterling have been converted to US dollars):

	Annual Salaries, Fees, Bonus and Benefits 31/03/2018 ^a	Actual amounts paid during the year to 31/03/2018 ^b	Annual Salaries, Fees, Bonus and Benefits 31/03/2017 ^a	Actual amounts paid during the year to 31/03/2017 ^b
	USDk	USDk	USDk	USDk
Martin Perry	555	324	419	276
Raymond Garcia (up to 13 September 2016)	-	-	245	144
David Steel	333	202	259	159
Total - Executive	888	526	923	579
Iain Paterson	42	42	39	22
Robin Pinchbeck	42	42	39	22
Neil Warner (up to 13 September 2016)	-	-	33	49
Total – Non executive	84	84	111	93
Total	972	610	1,034	672

Notes:

- a* includes share based payments and bonuses awards to be paid in following year
b includes bonus payments relating to the previous year

Martin Perry and David Steel received no increase in their salaries in the year to 31 March 2018 and have not received any increases since they were appointed to the Board.

From 1st February 2015, elements of the Board's remuneration were agreed to be settled in shares rather than cash. The following elements of Board members' compensation relate to balances settled in shares:

	31 March 2018 Issued during year USDk	31 March 2017 Issued during year USDk
Martin Perry	128	70
Raymond Garcia	-	36
David Steel	57	14
Total - Executive	185	120
Iain Paterson	42	22
Robin Pinchbeck	42	22
Neil Warner	-	32
Total – Non executive	84	76
Total	269	196

Interests in share options, Incentive shares and PSP options

	<u>Number of Share Options at 31/3/18 and 31/3/17</u>	<u>Number of Incentive Shares at 31/3/18 and 31/3/17</u>	<u>Option Price (p)</u>	<u>Vesting dates</u>
Martin Perry	-	30,000	-	June 2016
David Steel:	40,000	-	63.0	February 2017
	50,000	-	62.0	July 2017
	120,000	-	48.6	January 2017
Total	210,000	30,000		

Given the share price at the date of signing of the financial statements, there is no value in any of the share options that are currently vested.

	<u>Number of PSP Options at 31/3/18</u>	<u>Number of PSP Options at 31/3/17</u>	<u>Vesting dates</u>
Martin Perry	-	538,462	March 2017 (<i>lapsed</i>)
David Steel	-	147,692	March 2017 (<i>lapsed</i>)
Martin Perry	460,526	460,526	June 2018
David Steel	157,895	157,895	June 2018
Martin Perry	457,692	457,692	June 2019
David Steel	230,769	230,769	June 2019
Martin Perry	540,000	-	June 2020
David Steel	270,000	-	June 2020
Total	2,116,882	1,993,036	

The performance conditions for each of the PSP awards are as follows:

Vesting Date:	June 2018	June 2019	June 2020
Proportion awarded for compound annual growth rate of:			
30% or greater	100%	100%	n/a
10%	33%	33%	n/a
Less than 10%	0%	0%	n/a
<i>Note: Award pro-rated if growth between 10% and 30%</i>			
Proportion awarded for adjusted EBITDA:			
Maximum of range achieved	n/a	n/a	100%
Minimum of range achieved	n/a	n/a	33%
Weighting:			
TSR (share price) growth	100%	100%	n/a
Adjusted EBITDA	-%	-%	100%
Start point:			
TSR (share price) growth	16p	13p	n/a
Adjusted EBITDA range	-	-	\$1.5m to \$3.7m

The total amount to be expensed over the vesting period of all the above options is determined by reference to the fair value at the date of granting and the number of awards that are expected to vest.

Interests in warrants

There were no interests held by directors or persons connected to the directors in warrants over shares in Enteq Upstream Plc at 31 March 2018.

Highest paid director

The Companies Act 2006 requires certain disclosures about remuneration of the highest paid director taking into account emoluments, gains in exercise of share options and amounts receivable under long-term incentive schemes. Details of this remuneration are set out in note 7.

Robin Pinchbeck

Chairman of the Remuneration Committee

12 June 2018

Corporate Governance Report

This report for shareholders sets out Enteq Upstream PLC's approach to Corporate Governance. We have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code (April 2016) we consider to be relevant to the company. More details are given on page 24.

Board Composition

The Board of Enteq Upstream PLC is responsible for determining strategic direction and reviewing management and operational performance. Operational performance is delegated to the Executive Directors, who meet regularly to review the performance of and prospects for the business. The composition of the Board is set out below.

		Board	Audit committee	Remuneration committee	Nomination committee
Martin Perry	Chief Executive Officer	<i>Member</i>	-	-	<i>Member</i>
David Steel	Finance Director	<i>Member</i>	-	-	-
Iain Paterson	Non-Executive Director	<i>Chairman</i>	<i>Member</i>	<i>Member</i>	<i>Chairman</i>
Robin Pinchbeck	Non-Executive Director	<i>Member</i>	<i>Chairman</i>	<i>Chairman</i>	<i>Member</i>

In the year under review the Board formally met on 8 scheduled occasions, with additional meetings and conference calls held as deemed necessary.

The division of responsibilities between Iain Paterson, Chairman, and Martin Perry, CEO, has been clearly established by way of written role statements, which have been prepared by the Board. The Chairman's main responsibilities are to lead the Board, liaising as necessary with the CEO on developments between meetings of the Board, and to ensure the CEO and his executive management team have appropriate objectives and that their performances against those objectives are reviewed. The CEO is responsible to the Board for the executive management of the Group and for liaising with the Chairman and keeping him informed on all matters.

Board Evaluation

Between the year end and the date of signing these accounts a Board evaluation was carried out by both the Non-Executive and Executive Directors. The Board was regarded as effective and possessed sufficient skills and experience to enable it to discharge its responsibilities appropriately. The evaluation further confirms the Board's belief that the Board balance and the composition of each main Board Committee is appropriate. In reviewing the Board it was concluded that the skills and experience the Executive Directors bring to the Board are complementary to each other and those of the Non-Executive Directors.

Board Committees

The Board has three main committees to which it delegates responsibility and authority.

Audit Committee

The Audit Committee comprises solely of Non-Executive Directors of the Company. Whilst no members of the committee have direct, recent financial experience they are considered to have the necessary skills to fulfil their duties based on their knowledge of, and experience of working in, our core market. Financial advice is available externally as and when they require it. The committee has met twice during the year under review.

Responsibilities

The responsibilities of the Audit Committee include to:

- monitor and review reports from the Executive Directors, including the Group's financial statements and Stock Exchange announcements;
- monitor and review the Group's systems of internal control;
- review reports from the Group's external auditors;
- monitor any corporate governance and accounting developments;
- monitor the Group's bribery act compliance procedures;
- consider and recommend to the Board the reappointment of the external auditor;
- agree the scope and fees of the external audit;
- monitor and approve engagements of the external auditor to provide non-audit services to the Group; and
- review the external auditor's independence and effectiveness of the audit process and assess the level and quality of service in relation to fees paid.

External audit

The external auditors' full year report includes a statement on their independence, their ability to remain objective and to undertake an effective audit. The committee considers and assesses this independence statement on behalf of the Board taking into account the level of fees paid particularly for non-audit services. The committee considers the effectiveness of the audit by reviewing and taking account of Financial Reporting Council reports on the auditors; input from executive management; consideration of responses to questions from the audit committee and the audit findings reported to the committee.

Grant Thornton UK LLP have been the Group's auditor since incorporation. The Audit Committee is satisfied with their effectiveness and their independence and has, to date, not considered it necessary to require an independent tender process.

The committee closely monitors fees paid to the auditors in respect of non-audit services, which are analysed within note 9. In 2018, fees for non-audit services totalled \$28k in comparison to audit fees of \$73k. The scope and extent of non-audit work undertaken by the external auditor is monitored by, and, above certain thresholds, requires prior approval from the committee to ensure that the provision of such services does not impair their independence or objectivity.

Internal audit

To date, the Board has not considered it necessary or cost effective to employ a separate internal audit team. The senior finance team carries out reviews on an on-going basis. These reviews are available to the Committee and encompass the identification of the key business, financial, compliance and operational risks facing each operating location, together with an assessment of the controls in place for managing and mitigating these risks. The committee will continue to monitor the need for a separate internal audit function.

Remuneration Committee

The Remuneration Committee comprises solely of Non-Executive Directors of the Company and is responsible for reviewing remuneration arrangements for the Board and other senior employees of the Group and for providing general guidance on aspects of remuneration policy for the Group. The committee met twice during the year under review.

Nomination Committee

The Nomination Committee is responsible for reviewing and recommending executive and Non-Executive Board appointments for the Group. The committee has not met during the year under review.

Prior to the appointment of a Director, the Nomination Committee undertakes an evaluation of the Board's requirements to ensure the balance of skill and experience is maintained to fulfil the Group's strategy. When considering appointments due consideration is also given to the diversity of the Board to ensure there is an appropriate mix of experience and skill to enable the Board to operate as effectively as possible.

In accordance with the Corporate Governance Code's guidance for non-FTSE 350 companies on the re-election of directors and the articles of association of the Company, all directors are subject to re-election at the first annual general meeting after their appointment, and to re-election thereafter on a triennial basis.

Internal Controls

The Board acknowledges its responsibility for the Group's system of internal control, for reviewing its effectiveness and for compliance with relevant legislation. The internal control system, which has been in place throughout the year under review, is structured to allow the Board to identify, evaluate and manage the significant risks to which the Group is exposed. The system comprises the following elements:

- Management Structure – within operational parameters set by the Board, management is delegated to the Executive Directors. The Executive Directors meet and communicate regularly with the Board to ensure a thorough and consistent flow of information about the business.
- Reporting and Consolidation – the Group receives detailed financial information from subsidiaries, which take the form of monthly management accounts, annual budgets and forecast projections. The Group also monitors and reviews new UK Listing Rules, Disclosure and Transparency Rules, accounting standards, interpretations and amendments and legislation and other statutory requirements. Subsidiary reporting entities are supported by instruction from the Group. Data is subject to review and assessment by management through the monitoring of key performance ratios and comparison to targets and budgets. The content and format of reporting is kept under review and periodically amended to ensure appropriate information is available.
- Strategic Planning and Budgeting – strategic plans and budgets containing comprehensive financial projections are formally presented to the Board for consideration and form the basis for monitoring performance.
- Legislative Compliance and Codes of Conduct – the Group has and is implementing procedures to ensure it meets its legislative and other responsibilities. The Group has implemented formal procedures including the publication of bribery and corruption policies and guidelines on interacting with customers, suppliers and agents, as well as policies for gifts, entertainment and hospitality.

As an AIM listed company, Enteq Upstream PLC has not adopted the UK Corporate Governance Code. However, we seek to comply with its provisions where we consider them to be relevant to the company. In particular, while this is not an exhaustive list, we wish to draw attention to the following areas where Enteq Upstream PLC does not follow the Code:

- No member of the Audit Committee has direct, recent financial experience. As such the Group was not compliant with provision C.3.1;
- For the reasons identified in the Remuneration Committee Report above the Remuneration Committee has not set upper limits on executive remuneration levels. As such the Group was not compliant with the provisions in schedule A; and
- There is currently only one non-executive director other than the non-executive Chairman.

David Steel

Company Secretary

12 June 2018

Independent auditor's report to the members of Enteq Upstream plc

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Enteq Upstream plc (the 'company') and its subsidiaries (together, the 'group') for the year ended 31 March 2018, which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company statement of financial position, the company statement of changes in equity, the company statement of cash flows, and the related notes, including summaries of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosures Framework' ('United Kingdom Generally Accepted Accounting Practice').

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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


Who we are reporting to

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors’ use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group’s or the company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

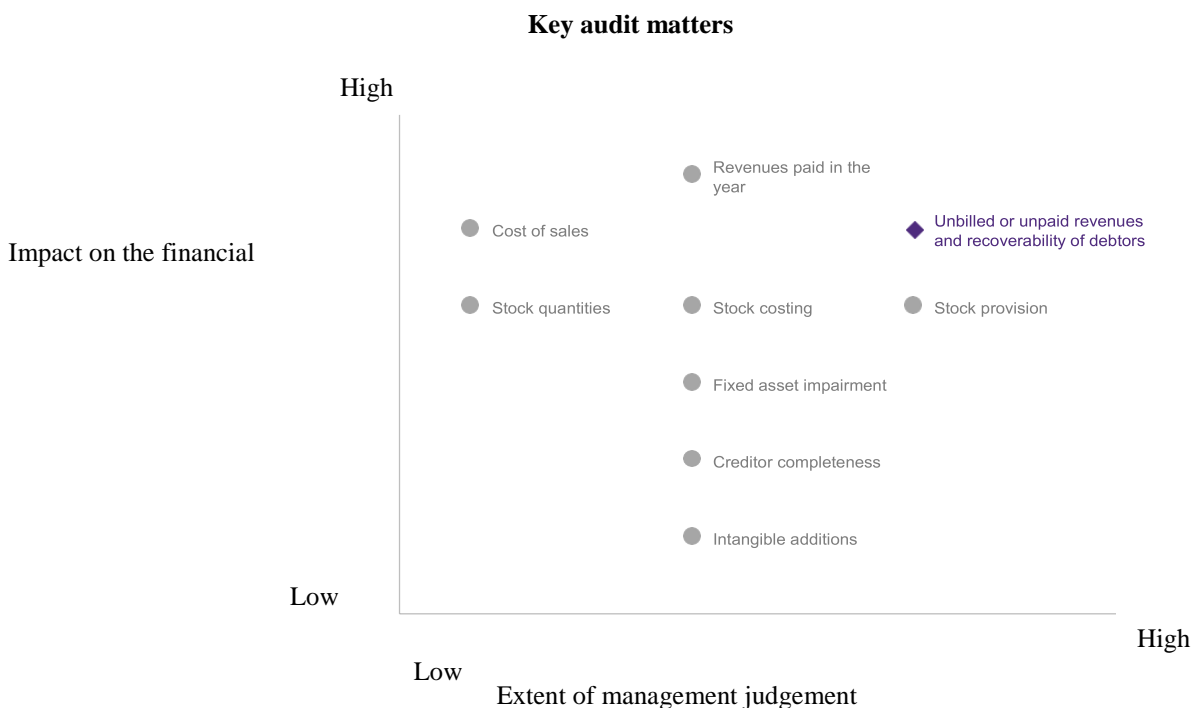


Overview of our audit approach

- Group materiality was \$269,000, which represents 1% of the group's total gross assets
- Key audit matters were identified as
 - Unbilled or unpaid revenues may not have occurred, and associated debtors may not be recoverable
- We performed full scope audit procedures on the financial statements of Enteq Upstream plc, the UK holding company, and on the financial information of Enteq Upstream Inc, the US trading company.

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



-
- ◆ Key audit matters
 - Other audit risks identified

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

Key Audit Matter**How the matter was addressed in the audit**

Unbilled or unpaid revenues may not have occurred, and associated debtors may not be recoverable

The lower oil prices seen in recent years have made cash conservation a priority for all business in the industry. Businesses can be slow to pay, and some lack funds altogether.

At the same time, Enteq is looking to expand its customer base, and so is working with new customers in unfamiliar territories, which can create judgments around the recoverability of debtor balances.

We therefore identified the recognition of unbilled or unpaid revenues, and recoverability of the resulting debtor balances as a significant risk, and as one of the most significant assessed risks of material misstatement.

Our audit work included, but was not restricted to:

- Selecting a statistical sample of the revenue invoices unpaid at the year-end, and agreeing details to
 - customer sales orders and proof of despatch for sale of goods, or
 - signed contracts for rental agreements, to demonstrate the validity of both the revenue recognition and the debtor;
- Analysing all non-trivial debtors over 90 days old with management, and identifying higher-risk debtors based on invoice date, amount, and customer location;
- Obtaining management's assessment of these debtors, and corroborating it with reference to correspondence and payment patterns; and
- Assessing management's ability to estimate the bad debt provision based on historic receipts against previous provisions.

The group's accounting policies on revenues and debtors are set out in note 4, on pages 40 and 43 respectively, and related disclosures are shown in note 15 on page 54.

Key observations

The audit work described above provided reasonable assurance over the occurrence of unbilled and unpaid revenues, and the recoverability of associated debtors.

Where we identified balances for further discussion, it was clear management had already considered their recoverability, and could provide evidence to support their judgments.

After considering the likely timing of future receipts, management reclassified a portion of debtors to be due in more than one year.

We have determined that there are no key audit matters in respect of the company to communicate in our report.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Company
Financial statements as a whole	<p>\$269,000, which is 1% of the Group's total gross assets. Gross assets is considered the most appropriate benchmark, given the key audit matter in relation to unpaid revenues, and because cash makes up more than 50% of gross assets, which is a key metric for investors.</p> <p>Materiality for the current year is higher than the level that we determined for the year ended 31 March 2017 due to the increase in the group's gross assets.</p>	<p>\$148,000, which is 1% of the Company's gross assets, excluding intercompany debtors. As required, this is less than the group's materiality.</p> <p>Gross assets is considered the most appropriate benchmark because cash makes up more than 50% of gross assets and is a key figure for investors.</p> <p>Materiality for the current year is lower than the level that we determined for the year ended 31 March 2017 due to the exclusion of intercompany debtors balances this year.</p>
Performance materiality used to drive the extent of our testing	\$202,000, which is 75% of financial statement materiality.	\$111,000, which is 75% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas, such as directors' remuneration and related party transactions.	We determined a lower level of specific materiality for certain areas, such as directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	Amounts above \$13,450 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	Amounts above \$7,400 as well as any misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included:

- A full-scope audit approach to both Enteq Upstream plc, the UK holding company, and Enteq Upstream Inc, the US trading company;
- An analytical audit approach to Jeteq Drilling Limited, which is currently dormant;
- Attendance at the stock count in Houston (US);
- Performing process walkthroughs and documenting the controls covering all of the Key Audit Matters and other risks shown in the graph above;
- On-site visits to the sites in Amersham (UK) and Houston (US); and
- Re-performing the group consolidation, to check management's formulae and ensure the group financial statements are consistent with the audited subsidiary figures.

All of the group's revenues arose within Enteq Upstream Inc, the US trading company. 100% of group revenues were included in the population for our revenue sample.

Other information

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

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

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Mark Bishop FCA

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Reading

12 June 2018

Enteq Upstream Plc

Consolidated Income Statement

	Notes	Year to 31 March 2018			Year to 31 March 2017
		\$ 000's	\$ 000's	\$ 000's	\$ 000's
		Ongoing operations	Exceptional items	Total	Total
Revenue	5	6,460	-	6,460	4,762
Cost of Sales		(2,141)	-	(2,141)	(1,661)
Gross Profit		4,319	-	4,319	3,101
Administrative expenses before amortisation	9	(4,994)	-	(4,994)	(4,235)
Amortisation of acquired intangibles	9	(92)	-	(92)	(68)
Other exceptional items	6	-	(57)	(57)	(54)
Foreign exchange profit on operating activities		48	-	48	(8)
Total Administrative expenses		(5,038)	(57)	(5,095)	(4,365)
Operating loss		(719)	(57)	(776)	(1,264)
Finance income	8	175	-	175	127
Loss before tax		(544)	(57)	(601)	(1,137)
Tax expense	10	(3)	-	(3)	(48)
Loss for the period		(547)	(57)	(604)	(1,185)
<i>Loss attributable to:</i>					
Owners of the parent		(547)	(57)	(604)	(1,185)
Loss per share (in US cents):	11				
Basic				(1.0)	(2.0)
Diluted				(1.0)	(2.0)
Adjusted loss per share (in US cents):	11				
Basic				(0.8)	(1.7)
Diluted				(0.8)	(1.7)

Enteq Upstream Plc

Consolidated Statement of Comprehensive Income

	Year to 31 March 2018	Year to 31 March 2017
	<i>\$ 000's</i>	<i>\$ 000's</i>
Loss for the year	(604)	(1,185)
Other comprehensive income for the year:		
Items that will not be reclassified subsequently to profit and loss	-	-
Items that will be reclassified subsequently to profit and loss	-	-
Total comprehensive income for the period	(604)	(1,185)
<i>Total comprehensive income attributable to:</i>		
Owners of the parent	(604)	(1,185)

Enteq Upstream Plc

Consolidated Statement of Financial Position

		As at 31 March 2018	As at 31 March 2017
	Notes	\$ 000's	\$ 000's
Assets			
Non-current			
Goodwill	12a	-	-
Intangible assets	12b	1,222	645
Property, plant and equipment	13	4,503	2,858
Trade and other receivables	15	238	-
Non-current assets		5,963	3,503
Current			
Trade and other receivables	15	2,104	3,924
Inventories	16	3,302	3,366
Cash and cash equivalents	17	15,501	15,335
Current assets		20,907	22,625
Total assets		26,870	26,128
Equity and liabilities			
Equity			
Share capital	18	982	963
Share premium	18	91,031	90,718
Share based payment reserve		910	806
Retained earnings		(69,351)	(68,747)
Total equity		23,572	23,740
Liabilities			
Current			
Trade and other payables	19	3,298	2,388
Total liabilities		3,298	2,388
Total equity and liabilities		26,870	26,128

The financial statements were authorised for issue and approved by the Board of Directors on 12 June 2018 and were signed on its behalf by:

David Steel

Director

Enteq Upstream Plc

Consolidated Statement of Changes in Equity

	Called up share capital \$ 000's	Retained earnings \$ 000's	Share premium \$ 000's	Share based payment reserve \$ 000's	Total equity \$ 000's
Issue of share capital	19	-	313	-	332
Share based payment charge	-	-	-	104	104
Transactions with owners	19	-	313	104	436
Loss for the year	-	(604)	-	-	(604)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income	-	(604)	-	-	(604)
Total movement	19	(604)	313	104	(168)
As at 1 April 2017	963	(68,747)	90,718	806	23,740
As at 31 March 2018	982	(69,351)	91,031	910	23,572

	Called up share capital \$ 000's	Retained earnings \$ 000's	Share premium \$ 000's	based payment reserve \$ 000's	Total equity \$ 000's
Issue of share capital	13	-	160	-	173
Share based payment charge	-	-	-	257	257
Transactions with owners	13	-	160	257	430
Loss for the year	-	(1,185)	-	-	(1,185)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income	-	(1,185)	-	-	(1,185)
Total movement	13	(1,185)	160	257	(755)
As at 1 April 2016	950	(67,562)	90,558	549	24,495
As at 31 March 2017	963	(68,747)	90,718	806	23,740

Enteq Upstream Plc

Consolidated Statement of Cash Flows

	Year to 31 March 2018	Year to 31 March 2017
	\$ 000's	\$ 000's
Cash flows from operating activities		
Loss for the year	(604)	(1,185)
Tax charge	3	48
Net finance income	(175)	(127)
(Gain)/loss on disposal of fixed assets	(82)	25
Share-based payment non-cash charges	104	257
Foreign exchange difference	(48)	8
Depreciation and Amortisation charges	853	494
	<hr/>	<hr/>
	51	(480)
Interest received	175	127
Tax paid	(1)	(4)
Decrease in inventory	64	440
Decrease/(increase) in trade and other receivables	1,582	(498)
Increase in trade and other payables	910	910
	<hr/>	<hr/>
Net cash from operating activities	2,781	495
Investing activities		
Purchase of tangible fixed assets	(236)	-
Increase in rental fleet assets	(2,222)	-
Disposal proceeds of tangible fixed assets	133	-
Purchase of intangible fixed assets	(670)	(446)
	<hr/>	<hr/>
Net cash from investing activities	(2,995)	(446)
Financing activities		
Share issue	332	173
	<hr/>	<hr/>
Net cash from financing activities	332	173
Increase in cash and cash equivalents	118	222
Non-cash movements - foreign exchange	48	(8)
Cash and cash equivalents at beginning of period	15,335	15,121
	<hr/>	<hr/>
Cash and cash equivalents at end of period	15,501	15,335

Notes to the Consolidated Financial Statements

For the year to 31 March 2018

1. NATURE OF OPERATIONS

The principal activity of Enteq Upstream Plc and its subsidiaries is that of acquiring, consolidating and operating companies providing specialist reach and recovery products and technologies to the upstream oil and gas services market.

2. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS

Enteq Upstream Plc, the Group's ultimate parent Company, is a limited liability Company incorporated and domiciled in England and Wales. Its registered office is The Courtyard, High Street, Ascot, Berkshire, SL5 7HP. Enteq's shares are listed on the Alternative Investment Market of the London Stock Exchange. The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

3. STANDARDS, AMENDMENTS AND INTERPRETATIONS OF ACCOUNTING POLICIES

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Group. Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements. These are:

- IFRS 9 'Financial Instruments' (2014)
The new standard changes the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. It also provides new guidance on the application of hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018. The classification and measurement of the Group's financial assets will need to be reviewed based on the new criteria.
- IFRS 15 'Revenue from Contracts with Customers'
This standard presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. Management do not expect it to have a significant impact on revenue recognition.
- IFRS 16 'Leases'
On 13 January 2017, the IASB released IFRS 16 'Leases', completing its long-running project on lease accounting. IFRS 16 will require lessees to account for leases 'on-balance sheet' by recognising a 'right-of-use' asset and a lease liability. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019. This may lead to assets being recognised on the balance sheet for rented office space. Management do not expect any changes to the treatment of revenue from rental kits.

4. ACCOUNTING POLICIES

Overall considerations

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

Basis of consolidation

The Group financial statements consolidate those of the parent Company and all of its subsidiaries as of 31 March 2018. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 31 March 2018.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-Group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The board regularly reviews the Group's resources to ensure they are sufficient to continue trading for the foreseeable future. It is therefore considered appropriate to use the going concern basis to compile these financial statements. The main requirement is for sufficient financial resources to maintain the overhead required to fulfil the pipeline of business.

The Group has significant cash resources which will enable it to trade through these conditions. As a consequence the directors believe that the Group is well placed to manage its business risks successfully. Accordingly, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and consequently have adopted the going concern basis of accounting in preparing these financial statements.

Companies included in the consolidation:

Name	Country of incorporation	Nature of business	Holding
Enteq Upstream USA Inc.	United States of America	Manufacturer of down hole drilling equipment	100%

The financial statements of subsidiaries are included in the consolidated financial statements from the date at which control commences to the date that control ceases. There are no non-conforming accounting policies in any of the subsidiaries.

Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values. Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

Where the consideration for the business combination includes contingent consideration management assess the expected future liability based on the available information at the time of the acquisition, taking into account the expected probability of achieving the relevant conditions and milestones. The expected liability is discounted to its present value and unwound over the life of the liability, with the impact of the unwinding included in finance costs over the life of the contingency. At each reporting date management re-estimates the total consideration expected

to be paid. Where, during the first 12 months following the acquisition, a change in the estimated contingent consideration arises as a result of changes in underlying assumptions which should have been identified at the time of the acquisition, the acquisition accounting is adjusted to reflect this. All other changes are reflected in profit or loss for the period.

Basis of preparation

The financial statements have been prepared on the going concern basis under the historical cost convention, with the exception of contingent consideration which is carried at fair value.

The financial statements are presented in US dollars as the Company's primary economic environment, in which it operates and generates cash flows is one of US dollars. Apart from its share placings, substantially all other transactions are likely to be transacted in US dollars. The majority of the Company's subsidiaries' activities and transactions therewith are expected to be in US dollars. The Parent Company's functional currency is US dollars.

Foreign currencies

All companies in the Group have a functional currency of US dollars.

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss. The exchange rate used at the year-end is £1:\$1.40 (31 March 2017 £1:\$1.25). Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the executive members of the Board, at which level strategic decisions are made.

Revenue

Revenue is measured as the fair value of the consideration received or receivable for the provision of goods or services in the ordinary course of business, taking into account trade discounts and volume rebates, and is stated net of sales taxes. Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue can be reliably measured.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customer, which is normally on delivery of the products or collection by the customer, following approval of the product by the customer.

Revenue from rentals paid under operating leases is recognised in the profit and loss account on a straight line basis over the period of the lease.

Government grants

Enteq has partnered with Imperial College London and the Chinese Institute of Petroleum Beijing to deliver smart technologies for the optimal drilling, completion, design and management of wells including geothermal wells. This project is funded by a grant from Innovate UK.

Grant income is netted off against the related expenses in the statement of comprehensive income. It is recognised as necessary to match it with the related costs, for which it is intended to compensate, on a systematic basis. It is recognised only when there is reasonable assurance that (a) there is full compliance with any conditions attached to the grant and (b) the grant will be received.

Interest

Interest income and expenses are reported on an accrual basis using the effective interest method.

Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service. Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised.

Exceptional items

Exceptional items are items of income and expenditure that, in the judgement of management, should be disclosed separately on the basis that they are material, either by their nature or their size, to an understanding of our financial performance and distort the comparability of our financial performance between periods.

Exceptional items relate to such categories as impairment charges, change to contingent consideration, and severance costs.

Intangible Assets and Goodwill

a) Goodwill

Goodwill represents amounts arising on the acquisition of trade and related assets and liabilities.

Goodwill on acquisitions comprises the excess of the fair value of the consideration transferred over the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

b) Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment.

c) Research and Development Expenditure

Research expenditure is recognised as an expense when it is incurred. Development expenditure is recognised as an expense except that expenditure incurred on development projects is capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if the Group can demonstrate all of the following:-

- its ability to measure reliably the expenditure attributable to the asset under development;
- the product or process is technically and commercially feasible;
- its future economic benefits are probable;
- its ability to use or sell the developed asset;
- the availability of adequate technical, financial and other resources to complete the asset under development; and
- its intention to complete the intangible asset and use or sell.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent period. Development expenditure is amortised on a straight-line method over the useful lives of each product from when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

Subsequent measurement

All intangible assets (other than Goodwill), including capitalised internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described below.

Amortisation

Amortisation is charged to overheads, within total administrative expenses, in the income statement on a straight line basis over the estimated useful lives of the intangible assets unless such lives are indefinite. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are determined separately for each acquisition and fall within the following ranges:

Brand names	5 – 20 years
Customer relationships	11 – 13 years
Developed Technology	4 – 7 years
Non-compete agreement	5 years

Impairment testing of goodwill, other intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

There is deemed to be just one cash generating unit (“CGU”) within the Company. In previous years there were deemed to be two, but from a financial & operational perspective both US locations are now being run as one unit.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset’s or cash-generating unit’s carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group’s latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management’s assessment of respective risk profiles, such as market and asset-specific risks factors. Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit’s recoverable amount exceeds its carrying amount, but only to the extent that this does not exceed the original carrying value, had no impairment been recorded.

Property, plant and equipment

Tangible Property, Plant & Equipment are stated at cost, net of depreciation and any provision for impairment. Depreciation is included within administrative expenses for all tangible assets at rates calculated to write off the cost, less estimated residual value of each asset on a straight-line basis over useful economic life, as follows:

Land	Not depreciated
Leasehold improvements	Over life of lease, or useful economic life, if shorter
Buildings	35 years
Production equipment	4 to 7 years
Other equipment	3 to 7 years
Rental assets	Over the life of the asset, up to a maximum of 2 years

Management review the useful economic life and residual values of all assets on an annual basis.

Leased assets

Leases where the third-party lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Rentals payable under operating leases are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease. Associated costs, such as maintenance and insurance, are expensed as incurred. Lease incentives received are recognised in the statement of comprehensive income on a straight-line basis as an integral part of the total lease expense. Leases where substantially all the risks and rewards of ownership are transferred to the Group are classified as finance leases.

Financial instruments

Recognition, initial measurement and derecognition

Financial assets and liabilities are recognised on the Group’s Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument. Financial assets are recognised initially at fair value plus transaction costs. Financial liabilities are recorded initially at fair value net of transaction costs. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

All financial assets are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a Group of financial assets is impaired. Different criteria to

determine impairment are applied for each category of financial assets, which are described below. All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other total administrative expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in Groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified Group.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, for inventory items that involve significant manufacturing time, includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. The cost of inventory that do not incur significant levels of manufacturing time are held at material cost only. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred income tax is the income tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the Statement of Financial Position liability method. Deferred income tax is provided in full and is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred income tax liabilities are generally recognised on all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or any discount on acquisition) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. Deferred income tax is measured on an undiscounted basis at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred income tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity or other comprehensive income, in which case the deferred tax is also dealt with in equity or other comprehensive income. Deferred income tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade and other payables

Trade and other payables are not interest-bearing and are recognised initially at fair value. Subsequently they are carried at amortised cost.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued. Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Retained earnings include all current and prior period retained profits. All transactions with owners of the parent are recorded separately within equity. Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

Share based payment reserve

Represents the total accumulated share based payment charge less any amounts transferred following the issue of the relevant shares.

Pensions and short-term employee benefits

Pensions

The Group does not operate its own pension scheme but makes contributions to an individual's personal pension scheme, where appropriate.

Share based payments

All employees receive remuneration in the form of share-based payment transactions, whereby they render services in exchange for rights over shares under the Enterprise Management Incentive Plan option scheme. The executive directors and other senior managers receive remuneration in the form of share-based payment transactions, whereby they render services in exchange for rights over shares under the Performance Share Plan. Both these schemes have options that vest three years after the date of grant. The total amount to be expensed over the vesting period of the options is determined by reference to the fair value at the date of granting and the number of awards that are expected to vest. The fair value is based upon a Black-Scholes model taking into account different scenarios for the possible outcomes of the Company's investment activities, using management's best estimates of these likely outcomes. The total expense is based upon initial conditions and will crystallise smoothly over the vesting period without reassessment of the initial fair value. The charge is annually reassessed, based on the total number of options expected to vest. In addition, where there are changes to the terms of any agreements, the fair value is reassessed at that time. The movement in cumulative expense is recognised in the profit and loss, with a corresponding entry to the share-based payment reserve.

On 17 September 2014, the Company introduced a Performance Share Plan ("PSP") for the Executive Directors and other key senior managers. The awards at the nominal value of the shares, but the exercise of which is subject to certain performance conditions.

Incentive Shares

The Incentive Shares do not carry any voting or dividend rights and are not transferable. The amounts subscribed for the Incentive Shares have been recognised as a current liability on the Statement of Financial Position as they become repayable if the Executive Directors leave office.

Provisions, contingent assets and contingent liabilities

Provisions for product warranties, legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. Provisions are not recognised for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material. Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

Critical accounting estimates and judgements

The preparation of the financial statements in conforming with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and contingent liabilities. These will seldom equal the related actual results and adjustments will consequently be necessary. Estimates are continually evaluated based on experience, consultation with experts and reasonable expectations of future events.

Accounting estimates and judgements are applied in determining the carrying amounts of the following significant assets and liabilities:

Share premium	The costs that have been offset against the share premium are deemed to be wholly and exclusively for the issue of shares. The directors have reviewed all costs in relation to the share issue and those that did not fully relate to the share issue have been recognised as an expense in the administrative expenses.
Acquired intangibles and goodwill	<p>The Group uses the present value of future cash flows to determine implied fair value of the intangible assets arising on acquisition and hence in determining the residual goodwill. In calculating the implied fair value, significant management judgement is required in forecasting relevant cash flows considering factors such as long-term growth rates, future margins, timing and quantum of future replacement capital expenditure, future tax rates and the selection of discount rates to reflect the risks involved. If alternative management judgements were adopted then different recognition and impairment outcomes could result.</p> <p>Management shall ensure that no reasonably possible change in any of the key assumptions would cause the carrying value of any CGU to materially exceed its recoverable amount.</p>
Functional currency of the parent	Management have considered a number of factors in order to determine the functional currency of the parent Company. After due consideration, management are of the opinion that this is US dollars. Whilst the Company is based in the UK, a number of key indicators have lead management to reach this judgement. This includes, but is not limited, to the following key factors: key strategic decisions, including those in relation to assessing acquisition on an on-going basis and reviews of historical financial information, are made based on information denominated in US\$; Company has funded its overseas subsidiary in a loan denominated in US\$. Management also note that the Company's strategy is to invest in services aligned to the oil and gas industry, an industry which trades principally in US\$.
Share based payment and incentive share costs	The share based payment costs and the incentive share costs have both been calculated based on different scenarios for the possible outcomes of the Group's investment activities using a Black-Scholes model. The total expense is based upon initial conditions and will crystallise smoothly over the vesting period of three and four years.
Impairment of intangible assets	An impairment test is carried out annually and involves a significant level of judgement regarding factors such as future growth rates. Senior management base this judgement on the best available industry and market data at that point in time. The critical judgements and estimates are set out in note 12. As the Group strategy unfolds, these assumptions may change. Any significant downward variance in the assumptions may result in an impairment.
Recoverability of trade debtors	Management carries out monthly reviews regarding the recoverability of balances owed by customers. Where there is concern regarding the recoverability of all or an element of a customer's outstanding balance, an appropriate bad debt provision is charge to the profit and loss account.

5. SEGMENTAL REPORTING

For management purposes, the Group is currently organised into a single business unit, the Drilling Tools division, which is currently based solely in the USA.

The principal activities of the Drilling Tools division are the design, manufacture and selling of specialised parts and products for Directional Drilling and Measurement While Drilling operations for use in the energy exploration and services sector of the Oil and Gas industry.

At present, there is only one operating segment and the information presented to the board is consistent with the consolidated income statement and the consolidated statement of financial position. A key measurement used by the board is Adjusted EBITDA. This reconciliation is included in note 6, below.

The revenues, net assets and non-current assets of the Group can be analysed by geographic location (post-consolidation adjustments) as follows:

Revenues

	31 March 2018 <i>USD 000's</i>	31 March 2017 <i>USD 000's</i>
North America	6,017	3,325
Rest of the world	443	1,437
Total Group revenue	<u>6,460</u>	<u>4,762</u>

Net Assets

	31 March 2018 <i>USD 000's</i>	31 March 2017 <i>USD 000's</i>
Europe (UK)	13,673	13,985
United States	9,899	9,755
Total Group net assets	<u>23,572</u>	<u>23,740</u>

Non-current Assets

	31 March 2018 <i>USD 000's</i>	31 March 2017 <i>USD 000's</i>
Europe (UK)	-	-
United States	5,958	3,503
Total Group non-current assets	<u>5,958</u>	<u>3,503</u>

All of the Group's revenue arises from the sale and rental of specialised parts and products for Directional Drilling and Measurement While Drilling operations.

The Group had 3 customers that contributed in excess of 10% of the Group's total sales for the year (2017: 4). These customers contributed \$1,371k, \$927k and \$881k. (2017: \$1,222k, \$1,030k, \$853k and \$513k). No revenue relates to customers based in the UK (2017: none).

6. PROFIT AND LOSS ANALYSIS

The following analysis illustrates the performance of the Group's activities, and reconciles the Group's loss for the period, as shown in the consolidated income statement, to adjusted earnings and adjusted EBITDA.

Adjusted earnings and adjusted EBITDA are presented to provide a better indication of overall financial performance and to reflect how the business is managed and measured on a day-to-day basis.

	31 March 2018 <i>USD 000's</i>	31 March 2017 <i>USD 000's</i>
Loss attributable to ordinary shareholders	(604)	(1,185)
Other exceptional items	57	54
Amortisation of acquired intangible assets	92	68
Foreign exchange movements	(48)	8
Adjusted earnings	<u>(503)</u>	<u>(1,055)</u>
Depreciation charge	760	426
Finance income (<i>note 8</i>)	(175)	(127)
Performance Share Plan charge (<i>note 20</i>)	138	252
Tax charge (<i>note 10</i>)	3	48
Adjusted EBITDA	<u>223</u>	<u>(456)</u>

The other exceptional items result from non-recurring costs. The total can be analysed as follows:

	31 March 2018 <i>USD 000's</i>	31 March 2017 <i>USD 000's</i>
Severance payments and other plant closure costs	143	43
Gain on sale of fixed assets	(82)	-
Other	(4)	11
Total exceptional items	<u>57</u>	<u>54</u>

7. EMPLOYEES AND DIRECTORS

	31 March 2018 <i>USD 000's</i>	31 March 2017 <i>USD 000's</i>
Wages and salaries	2,856	2,413
Social security costs	262	209
Equity settled transactions – in lieu of salaries	269	173
Equity settled transactions – share option and PSP charge	104	257
Pension and health costs	365	224
	<u>3,856</u>	<u>3,276</u>

The average monthly number of employees during the year was as follows:

	No.	No.
Directors	4	5
Senior management	4	3
Sales & marketing	3	3
Manufacturing & Technical	9	6
Finance & administration	2	2
	<u>22</u>	<u>19</u>

	USD 000's	USD 000's
Directors' remuneration	972	1,034
Information regarding the highest paid director is as follows:		
Emoluments	555	419

The directors are deemed to be 'Key Management'. This is detailed further in Note 23. Further details of emoluments paid to directors, including details of the highest paid director are contained in the Remuneration Committee report on pages 18 to 21.

Share plans

The Group has an equity-settled share option scheme. The total amount to be expensed over the vesting period is determined by reference to the fair value at the date at which the options are granted. It is assumed that all options will vest. The fair value is determined using a binomial model which assesses the likelihood of the Company achieving certain goals in line with its strategy, ranging from failure to make any investments and return of funds to investors, to achieving various rates of acquisitive growth. The cashflows attached to these different scenarios are discounted over the vesting period at an annual rate of 14% and contribute to the estimated value of the Company in line with each scenario's assessed weighting of likelihood of occurrence. The value of each share in issue is therefore estimable and the consequent value to option holders calculable following their payment of the exercise price.

Details of the share options outstanding at the end of the year are shown in note 20.

Incentive Shares

Certain current and previous Executive Directors have also subscribed to Incentive Shares with a base cost of \$79,937.

The fair value was determined using a binomial model. The fair value of the Incentive Shares has been recognised as a current liability on the Statement of Financial Position as it becomes repayable if the Executive Directors leave office.

These shares are included in the total number of Ordinary Shares and their additional rights vested in equal tranches in June 2014 and June 2015. No entitlement to additional Ordinary Shares arose on either vesting date.

Enterprise Management Incentive Plan

The Group has established a share option plan that entitles all employees to purchase shares in the Company. See note 20 for further details.

Performance Share Plan

The Group has established a share plan that entitles certain senior employees to acquire shares in the Company if certain performance conditions are met. See note 20 for further details.

8. NET FINANCE INCOME

	31 March 2018 USD 000's	31 March 2017 USD 000's
Interest earned on bank deposits	175	127

9. LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging:

	31 March 2018 USD 000's	31 March 2017 USD 000's
Depreciation of tangible assets	760	426
Amortisation of intangible assets	92	68
Auditors' remuneration:		
- Fees payable to the Company's auditor for the audit of the Company's and Group's annual accounts	73	63
- Tax compliance services	28	42
Share based payments	104	257
Foreign exchange (gains)/losses	(48)	8
(Gain)/loss on disposal of Property, Plant & Equipment	(82)	26

10. INCOME TAX

Analysis of tax expense

No liability to UK corporation tax arose on ordinary activities for the period.

Factors affecting the tax charge

The tax assessed for the period is different from the standard rate of corporation tax in the UK. The difference is explained below:

	31 March 2018 USD 000's	31 March 2017 USD 000's
Loss on ordinary activities before tax	(601)	(1,137)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 20%):	(114)	(227)
Effects of:		
Items not subject to corporation tax	170	99
Tax losses to carry forward	(56)	128
Texas State Franchise Tax	3	48
Total income tax	3	48

There has been no deferred taxation recognised in these financial statements due to the uncertainty surrounding the timing of the recovery of these amounts. The total losses available to the Group in the relevant tax jurisdictions are as follows: UK \$1.7m; United States \$15.9m (2017: UK \$2.6m; United States \$14.1m). There were no significant deferred tax liabilities.

11. EARNINGS PER SHARE AND DIVIDENDS

Basic earnings per share

Basic earnings per share is calculated by dividing the loss attributable to ordinary shareholders for the year of \$604k (31 March 2017: loss of \$1,185k) by the weighted average number of ordinary shares in issue during the year of 61,616k (31 March 2017: 60,351k).

Adjusted earnings per share

Adjusted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders, excluding exceptional items, amortisation of intangible assets and foreign exchange profits or losses for the year of a loss of \$503k (31 March 2017: loss of \$1,055k), by the weighted average number of ordinary shares in issue during the year of 61,616k (31 March 2017: 60,351k).

As the Group is loss making, any potential ordinary shares have the effect of being anti-dilutive. Therefore, the diluted EPS is the same as the basic EPS. As the year end share price is below the weighted average option price of all the options issued, the adjusted diluted EPS is the same as adjusted EPS.

The adjusted diluted earnings per share information are considered to provide a fairer representation of the Group's trading performance. A reconciliation between basic earnings and adjusted earnings is shown below.

March 2018: EPS

	Earnings	Weighted	Per-share
	average number	average number	amount
	of shares	of shares	
	<i>USD 000's</i>	<i>000's</i>	<i>US cents</i>
Loss attributable to ordinary shareholders	(604)	61,616	(1.0)
Exceptional items	57		
Amortisation of acquired intangible assets	92		
Foreign exchange movements	(48)		
Adjusted loss attributable to ordinary shareholders	<u>(503)</u>	<u>61,616</u>	<u>(0.8)</u>

March 2017: EPS

	Earnings	Weighted	Per-share
	average number	average number	amount
	of shares	of shares	
	<i>USD 000's</i>	<i>000's</i>	<i>US cents</i>
Loss attributable to ordinary shareholders	(1,185)	60,351	(2.0)
Exceptional items	54		
Amortisation of acquired intangible assets	68		
Foreign exchange movements	8		
Adjusted loss attributable to ordinary shareholders	<u>(1,055)</u>	<u>60,351</u>	<u>(1.7)</u>

During the year Enteq Upstream Plc did not pay any dividends (2017: nil).

12. INTANGIBLE ASSETS

a) Goodwill

	<i>USD 000's</i>
Cost:	
As at 1 April 2017 and as at 31 March 2018	<u>19,619</u>
Impairment:	
As at 1 April 2017 and as at 31 March 2018	<u>19,619</u>
Net Book Value:	
As at 1 April 2017 and as at 31 March 2018	<u>-</u>

b) Other Intangible Assets

	<i>Developed technology USD 000's</i>	<i>IPR&D technology USD 000's</i>	<i>Brand names USD 000's</i>	<i>Customer relationships USD 000's</i>	<i>Non- compe- te agree- ments USD 000's</i>	<i>Total USD 000's</i>
Cost:						
As at 1 April 2017	12,676	7,495	1,240	20,586	5,931	47,928
Capitalised in period	-	669	-	-	-	679
As at 31 March 2018	<u>12,676</u>	<u>8,164</u>	<u>1,240</u>	<u>20,586</u>	<u>5,931</u>	<u>48,597</u>
Amortisation/Impairment:						
As at 1 April 2017	12,418	7,108	1,240	20,586	5,931	47,283
Charge for the year	92	-	-	-	-	92
As at 31 March 2018	<u>12,510</u>	<u>7,108</u>	<u>1,240</u>	<u>20,586</u>	<u>5,931</u>	<u>47,375</u>
Net Book Value:						
As at 1 April 2017	<u>258</u>	<u>387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>645</u>
As at 31 March 2018	<u>165</u>	<u>1,057</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,222</u>
	<i>Developed technology USD 000's</i>	<i>IPR&D technology USD 000's</i>	<i>Brand names USD 000's</i>	<i>Customer relationships USD 000's</i>	<i>Non- compe- te agree- ments USD 000's</i>	<i>Total USD 000's</i>
Cost:						
As at 1 April 2016	12,500	7,225	1,240	20,586	5,931	47,482
Transfers	176	(176)	-	-	-	-
Capitalised in period	-	446	-	-	-	446
As at 31 March 2017	<u>12,676</u>	<u>7,495</u>	<u>1,240</u>	<u>20,586</u>	<u>5,931</u>	<u>47,928</u>
Amortisation/Impairment:						
As at 1 April 2016	12,350	7,108	1,240	20,586	5,931	47,215
Charge for the year	68	-	-	-	-	68
As at 31 March 2017	<u>12,418</u>	<u>7,108</u>	<u>1,240</u>	<u>20,586</u>	<u>5,931</u>	<u>47,283</u>
Net Book Value:						
As at 1 April 2016	<u>150</u>	<u>117</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>267</u>
As at 31 March 2017	<u>258</u>	<u>387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>645</u>

The main categories of Intangible Assets are as follows:

Developed technology:

This is technology which is currently commercialised and embedded within the current product offering.

IPR&D technology:

This is technology which is in the final stages of field testing, has demonstrable commercial value and is expected to be launched within the next 12 months.

Brand names:

The value associated with the various trading names used within the Group.

Customer relationships:

The value associated with the on-going trading relationships with the key customers acquired.

Non-compete agreements:

The value associated with the agreements signed by the Vendors of the acquired businesses not to compete in the markets of the businesses acquired.

Goodwill and Impairment

The Group tests goodwill and other intangible assets annually for impairment. The impairment test carried out on the balances as at 31 March 2018 indicated that there was no impairment of the full carrying value of both goodwill and intangible assets.

There is deemed to be just one cash generating unit (“CGU”) within the Company. In previous years there were deemed to be two, but from a financial & operational perspective both US locations are now being run as one unit.

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the future revenues, discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessment of the time value of money and the risks specific to the CGU. The growth rates are based on management forecasts for the five years to March 2021. Cash flow forecasts are prepared from the most recent financial plans approved by the Board.

The forecasts assume annual growth rates between 1% and 20% until 2023 and 3% thereafter in the long term. These long-term growth rates do not exceed the long-term average growth rates for the industry as a whole.

The pre-tax rate used to discount cash flow forecasts is 13.6% (2017: 13.5%). Management have based this rate on the following factors: a Risk Free Rate of 3.2%; a levered equity beta of 1.5; a market risk premium of 5.5%; a small cap premium of 3.8% and an implied cost of debt of 4.5%.

Intangible assets

The intangible assets acquired during the year represent their fair value at the date of acquisition.

Amortisation

All categories of intangible assets, apart from the Goodwill and the IPR&D technology, are being amortised over their respective useful lives, on a straight-line basis. The remaining amortisation period of the intangible assets is between 10 and 46 months.

13. PROPERTY, PLANT AND EQUIPMENT

	Land \$000's	Leasehold improvements \$000's	Buildings \$000's	Production Equipment \$000's	Rental Fleet \$000's	Other Equipment \$000's	Total \$000's
Cost:							
As at 1 April 2017	461	102	2,120	1,334	789	322	5,128
Additions	-	-	175	27	2,559	32	2,793
Disposals	-	(102)	-	(208)	(789)	(18)	(1,117)
As at 31 March 2018	461	-	2,295	1,153	2,559	336	6,804
Depreciation:							
As at 1 April 2017	-	40	372	1,302	272	284	2,270
Charge for the year	-	10	89	18	620	23	760
Disposals	-	(50)	-	(209)	(452)	(18)	(729)
As at 31 March 2018	-	-	461	1,111	440	289	2,301
Net Book Value:							
As at 1 April 2017	461	62	1,748	32	517	38	2,858
As at 31 March 2018	461	-	1,834	42	2,119	47	4,503

	Land \$000's	Leasehold improvements \$000's	Buildings \$000's	Production Equipment \$000's	Rental Fleet \$000's	Other Equipment \$000's	Total \$000's
Cost:							
As at 1 April 2016	461	102	2,120	1,336	386	364	4,769
Additions	-	-	-	3	410	-	413
Disposals	-	-	-	(5)	(7)	(42)	(54)
As at 31 March 2017	461	102	2,120	1,334	789	322	5,128
Depreciation:							
As at 1 April 2016	-	30	282	1,226	46	282	1,866
Charge for the year	-	10	90	76	226	24	426
Disposals	-	-	-	-	-	(22)	(22)
As at 31 March 2017	-	40	372	1,302	272	284	2,270
Net Book Value:							
As at 1 April 2016	461	72	1,838	110	340	82	2,903
As at 31 March 2017	461	62	1,748	32	517	38	2,858

14. DEFERRED TAX

No deferred tax balances have been recognised in the statement of financial position on the basis that the only material balances related to taxable losses carried forward, which are uncertain as to their recoverability.

As disclosed in Note 10, deferred tax assets in the UK of \$1.7m (tax value of \$0.3m at 17%) and in the US of \$15.9m (tax value of \$4.8m at 30%) (2017: UK \$2.6m; US \$14.1m), in relation to losses carried forward have not been recognised.

15. TRADE AND OTHER RECEIVABLES

	31 March 2018 \$000's	31 March 2017 \$000's
Trade receivables	2,087	3,657
Prepayments	158	64
Other receivables	97	203
	<u>2,342</u>	<u>3,924</u>

The above can be analysed as follows:

Non-current	238	-
Current	2,104	3,924
	<u>2,342</u>	<u>3,924</u>

The management believe that the carrying value is an approximation of fair value.

Bad debt provision	31 March 2018 \$000's	31 March 2017 \$000's
As at 1 April	69	278
Released to income statement	(50)	-
Allowances used	(19)	(209)
As at 31 March	<u>-</u>	<u>69</u>

Aging profile of unprovided trade receivables	31 March 2018 \$000's	31 March 2017 \$000's
Not past due	842	2,190
Past due 31-90 days	653	650
Past due 91-120 days	39	671
Past due more than 120 days	553	215
	<u>2,087</u>	<u>3,726</u>

16. INVENTORIES

	31 March 2018 \$000's	31 March 2017 \$000's
Finished goods	2,722	2,952
Work in progress	229	63
Raw Materials	351	351
	<u>3,302</u>	<u>3,366</u>

The value of inventory recognised within Cost of Sales was \$1,777k (2017: \$1,168k). The 31 March 2018 balance includes a provision for slow moving stock of \$213k (31 March 2017: \$509k).

17. CASH AND CASH EQUIVALENTS

	31 March 2018 \$000's	31 March 2017 \$000's
Denominated in USD	15,387	14,374
Denominated in GBP	114	961
	<u>15,501</u>	<u>15,335</u>

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid ordinary shares of GBP 0.01 nominal value:

	<i>Number</i> <i>000's</i>	<i>Share</i> <i>Capital</i> <i>\$000's</i>	<i>Share</i> <i>Premium</i> <i>\$000's</i>
As at 1 April 2017	60,712	963	90,718
Issued during the year	<u>1,426</u>	<u>19</u>	<u>313</u>
As at 1 March 2018	<u>62,138</u>	<u>982</u>	<u>91,031</u>

All shares issued carry the same voting rights.

In addition, there are 50,000 allotted, issued and fully paid incentive shares of GBP 1.00 nominal value. There has been no change during the year. The incentive shares carrying no rights to either vote or receive dividends. As mentioned in Note 7, certain current and previous Executive Directors have also subscribed to these incentive shares, with a base cost of \$79,937. The fair value was determined using a binomial model. The fair value of the incentive shares has been recognised as a current liability on the Statement of Financial Position as it becomes repayable if the incentive shareholders leave office.

There were no costs associated with the share capital issued during the year.

The Companies Act 2006 abolished the concept of authorised share capital and, accordingly, there is no Limit on the maximum amount of shares that may be allotted by the Company.

Details of the incentive shares are included in note 7.

19. TRADE AND OTHER PAYABLES

	31 March 2018 \$000's	31 March 2017 \$000's
Trade payables	1,140	332
Accrued expenses	1,853	1,353
Social security and other taxes	214	234
Other creditors	<u>91</u>	<u>469</u>
	<u>3,298</u>	<u>2,388</u>

The management believe the carrying value is an approximation of the fair value. The average creditor days for the period ending 31 March 2018 is 64 days (2017: 24 days).

20. EMPLOYEE BENEFITS

Enterprise Management Incentive Plan

The Group has established a share option plan that entitles all employees to purchase shares in the Company. During the year to 31 March 2018 grants under the plan were made. In accordance with the scheme rules options are exercisable at the market price of the shares at the date of the grant once all vesting conditions have been met. Options vest after three years from the date of grant and expire after ten years.

The number and weighted average exercise prices of share options are as follows:

	31 March 2018		31 March 2017	
	<i>Weighted average exercise price (pence)</i>	<i>Number of options</i>	<i>Weighted average exercise price (pence)</i>	<i>Number of options</i>
Outstanding at the beginning of the period	24.4	793,500	27.1	641,000
Granted during the period	22.5	180,000	13.0	170,000
Exercise during the period	13.8	(214,000)	-	-
Forfeited during the period	17.8	(110,000)	13.8	(17,500)
Outstanding at the end of the period	28.5	649,500	24.4	793,500
Exercisable at the end of the period	34.7	409,500	29.8	532,000

The weighted average remaining contractual life of all outstanding share options is 2,405 days (2017: 2,522 days). The fair value of services received in return for share options are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model and expectations of early exercise are incorporated into this model.

The grant made during the year were as follows:

<i>Grant Date</i>	<i>June 2017</i>
Fair value for option at grant date (pence)	7.6
Weighted average share price at date of grant (pence)	22.5
Weighted average exercise price	22.5
Expected volatility	50%
Option life	3 years
Risk free interest rate	2.5%

The expected volatility is based on the historic volatility.

During the year, a credit of \$34k (2017: Charge of \$17k) has been included within the income statement in relation to the above options.

Performance Share Plan

On the 17 September 2014, a Performance Share Plan was introduced for the executive directors and other senior managers. In accordance with the scheme rules options are exercisable at the nominal value of the shares at the date of the grant once all vesting conditions have been met. Options vest after three years from the date of grant and expire after ten years. Options are settled in equity.

The number and weighted average exercise prices of share options are as follows:

	31 March 2018	31 March 2017
	<i>Number of options</i>	<i>Number of options</i>
Outstanding at the beginning of the period	4,482,216	2,864,034
Granted during the period	1,850,000	1,618,182
Lapsed during the period	(2,074,284)	-
Outstanding at the beginning of the period	4,257,932	4,482,216
Exercisable at the end of the period	1,232,057	-

The weighted average remaining contractual life of all outstanding Performance Share Plan options is 397 days (2017: 372 days).

The fair value of services received in return for share options are measured by reference to the fair value of share options granted, measured using the Black-Scholes model and expectations of early exercise are incorporated into this model. The balance is adjusted each year in accordance with the number of awards expected to vest.

The grants made during the year were as follows:

	<i>Non market based conditions</i>
Fair value for option at grant date (pence)	20.0
Share price at date of grant (pence)	20.0
Option life	3 years

During the year \$138k (2017: \$252k) has been included within the income statement as a charge, for the above options.

The charge of \$104k (2017: \$257k) shown in note 7 includes the additional charges for both the above schemes.

21. OPERATING LEASES

The Group has lease agreements in respect of properties and other equipment, for which payments extend over a number of years. The total gross payments over the life of these leases, split by maturity date and type, are as follows:

At 31 March 2018	Property \$000's	Equipment \$000's	Total \$000's
Within one year	25	12	37
Within two to five years	7	7	14
	<u>32</u>	<u>19</u>	<u>51</u>

At 31 March 2017	Property \$000's	Equipment \$000's	Total \$000's
Within one year	85	-	85
Within two to five years	24	-	24
	<u>109</u>	<u>-</u>	<u>109</u>

The lease expense during the year amounted to \$162k (2017: \$151k), representing the minimum lease payment.

22. OPERATING LEASES AS LESSOR

The Group leases out equipment under operating leases, the carrying value of which is shown in note 13.

Rental income during the year amounts to \$984k (2017: \$499k) included within revenue.

The lease contracts are all non-cancellable for 3 months from the commencement of the lease. As at 31 March 2018 there were no significant future minimum lease rentals (2017: nil).

23. RELATED PARTY DISCLOSURES

Transactions with key management personnel

The remuneration of the current directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24: 'Related party disclosures'. Further information about the remuneration of individual Directors is provided in the remuneration committee report. Incentive Shares were issued to some of the directors as detailed in Note 7.

	31 March 2018 \$000's	31 March 2017 \$000's
Short-term employee benefits	972	1,034
Share-based payments	104	252
	<u>1,076</u>	<u>1,286</u>

24. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.

25. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate, and currency and liquidity risk arises in the normal course of the Group's business. The Group's overall strategy to minimise this risk is discussed below.

Objectives, policies and procedures

Treasury operations are conducted within a framework of policies and guidelines authorised by the Board and are subject to internal control procedures. The objectives of the framework are to provide flexibility whilst minimising risk and prohibiting speculative transactions or positions to be taken.

The Group's principal financial instruments comprise cash and lines of bank credit. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit, interest rate, and currency and liquidity risks. The Board reviews and agrees policies for managing these risks and they are summarised below.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. The Group does not require collateral in respect of financial assets.

At the end of each month the senior management review the level of credit risk, particularly with reference to outstanding customer balance. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The Group invests some of its surplus funds in high quality liquid market instruments with a maturity no greater than three months. To reduce the risk of counterparty default the Group deposits its surplus funds in approved high quality banks. Concentrations of credit risk with respect to customers are limited due to the Group's customer base being relatively broad. Customers are assessed for credit worthiness and credit limits are imposed on customers and reviewed regularly.

Interest rate risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's cash and cash equivalents. The Group minimises that risk by using a series of short term interest rate fixes.

A 1% increase in interest rates, in the average balances held on deposit during the year end, would result in an increase in finance income of \$155k per annum.

Foreign currency risk

The Group is exposed to foreign currency risk on cash balances denominated in sterling, as its reporting currency is USD. The amount of currency held in sterling is reviewed on a regular basis, together with the cash flows denominated in sterling, to ensure that this risk is minimised.

The Group's funding strategy is to ensure that the business has sufficient resources to meet its various financial commitments on an on-going basis. It achieves this objective by actively monitoring its forecast cash flows and requirements. The Group is cautious in its approach, applying appropriate sensitivities to both the quantum and timing of its projections.

A 1% increase in the GBP/USD foreign exchange rate, on the GBP denominated year end cash balances, would result in a foreign exchange loss of \$2k. The year-end balance was chosen due to the highly fluctuating level of GBP denominated cash held during the year.

Liquidity risk

The Group manages its liquidity risk by ensuring that the balances of cash on deposit gives it sufficient access to liquid funds to meet both its immediate and longer term needs. In addition, the Group regularly reviews the access to commercial bank lines of credit.

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its current business, and allow it to take advantage of development opportunities when they arise therefore allowing the Group to maximise Shareholder value at all times.

The Group manages its capital structure, primarily Shareholders' equity, and makes adjustments to it, in light of changes in economic conditions and development opportunities. To maintain or adjust the capital structure, the Group may adjust the dividend payment to Shareholders, return capital to Shareholders or issue new shares. The Group's ordinary shares are quoted on the AIM market of the London Stock Exchange. This affords it access to investors which seek access to growth opportunities of the sort which the Group is targeting to acquire.

Debt is not employed in the Group at present and the limited working capital requirements are currently financed out of cash reserves. Details of the current equity structure can be seen on the Consolidated Statement of Financial Position. There are no capital requirements that are externally imposed.

No changes were made in the objectives, policies or processes during the years ending 31 March 2018.

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table, below.

Trade and other receivables/payables

The directors consider that the carrying amount of these balances approximates to their fair value.

The only allowances maintained by the Company for credit losses relate to allowances for bad and doubtful debts relating to trade receivables.

Categories of financial instruments

Financial liabilities and assets included in the Statement of Financial Position relate to the following IAS 39 categories:

31 March 2018

	<i>Other Financial Liabilities</i>	<i>Non- Financial Liabilities</i>	<i>Total for Statement of Financial Position heading</i>
	\$000	\$000	\$000
Statement of Financial Position headings – liabilities			
Trade payables	1,140	-	1,140
Social security and other taxes	-	214	214
Other creditors	91	-	91
Accrued expenses	1,853	-	1,853
Total	<u>3,084</u>	<u>214</u>	<u>3,298</u>

	<i>Loans and receivables</i>	<i>Non- Financial Assets</i>	<i>Total for Statement of Financial Position heading</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Statement of Financial Position headings – assets			
Trade receivables	2,087	-	2,087
Prepayments	-	158	158
Other receivables	97	-	97
Cash and cash equivalents	15,501	-	15,501
Total	<u>17,685</u>	<u>158</u>	<u>17,843</u>

31 March 2017

	<i>Other Financial Liabilities</i>	<i>Non- Financial Liabilities</i>	<i>Total for Statement of Financial Position heading</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Statement of Financial Position headings – liabilities			
Trade payables	332	-	332
Social security and other taxes	-	234	234
Other creditors	469	-	469
Accrued expenses	1,353	-	1,353
Total	<u>2,154</u>	<u>234</u>	<u>2,388</u>

	<i>Loans and receivables</i>	<i>Non- Financial Assets</i>	<i>Total for Statement of Financial Position heading</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Statement of Financial Position headings – assets			
Trade receivables	3,657	-	3,657
Prepayments	-	64	64
Other receivables	203	-	203
Cash and cash equivalents	15,335	-	15,335
Total	<u>19,195</u>	<u>64</u>	<u>19,259</u>

The directors are of the opinion that there is no material difference between the book value and the fair value of any of the Group's assets or liabilities. The contractual maturity of all financial liabilities are as follows:

	Within 3 months \$000's	3 to 12 months \$000's	12 to 18 months \$000's
31 March 2018	3,084	-	-
31 March 2017	2,154	-	-

26. CAPITAL COMMITMENTS

Other than those included in the statement of financial position, there were no material capital or other financial commitments in place at the year end. Further, there was no authorised but not contracted for capital expenditure at the year end.

27. POST-REPORTING DATE EVENTS

No adjusting events have occurred.

Enteq Upstream Plc

Company Statement of Financial Position

	<i>Notes</i>	31 March 2018 \$ 000's	31 March 2017 \$ 000's
Fixed assets			
Tangible Fixed Assets	3	-	-
Investments	4	-	-
		<hr/>	<hr/>
		-	-
Current assets			
Trade and other receivables	5	14,408	12,777
Cash and cash equivalents	6	14,702	14,696
		<hr/>	<hr/>
		29,110	27,473
Debtors: amounts falling due after one year			
Inter-Company loan notes	7	8,592	8,592
Creditors: amounts falling due within one year			
Trade and other payables	8	(1,163)	(792)
		<hr/>	<hr/>
Total assets less current liabilities		36,539	35,273
 Capital and reserves			
Called up share capital	9	982	963
Share premium	9	91,031	90,718
Share based payment reserve		910	807
Retained earnings		(56,384)	(57,215)
		<hr/>	<hr/>
Total equity		36,539	35,273

The parent Company's profit for the financial year was \$831k (2017: \$574k). The financial statements were approved by the Board of Directors on 12 June 2018 and were signed on its behalf by:

David Steel

Director

Enteq Upstream Plc

Company Statement of Changes in Equity

	Called up share capital \$ 000's	Retained earnings \$ 000's	Share premium \$ 000's	Share based payment reserve \$ 000's	Total equity \$ 000's
Issue of share capital	19	-	313	-	332
Share based payment charge	-	-	-	103	103
Transactions with owners	19	-	313	103	435
Profit for the period	-	831	-	-	831
Other comprehensive expense for the year	-	-	-	-	-
Total comprehensive income	-	831	-	-	831
Total movement	19	831	313	103	1,266
As at 1 April 2017	963	(57,215)	90,718	807	35,273
As at 31 March 2018	982	(56,384)	91,031	910	36,539

	Called up share capital \$ 000's	Retained earnings \$ 000's	Share premium \$ 000's	Share based payment reserve \$ 000's	Total equity \$ 000's
Issue of share capital	13	-	160	-	173
Share based payment charge	-	-	-	257	257
Transactions with owners	13	-	160	257	430
Profit for the period	-	574	-	-	574
Other comprehensive expense for the year	-	-	-	-	-
Total comprehensive income	-	574	-	-	574
Total movement	13	574	160	257	1,004
As at 1 April 2016	950	(57,789)	90,558	550	34,269
As at 31 March 2017	963	(57,215)	90,718	807	35,273

Enteq Upstream Plc

Company Statement of Cash Flows

	Year to 31 March 2018	Year to 31 March 2017
	\$ 000's	\$ 000's
Cash flows from operating activities		
Profit for the year	831	574
Net finance income	(175)	(127)
Share-based payment non-cash charges	103	256
Foreign exchange difference	(48)	8
	<u>711</u>	<u>711</u>
Increase in trade and other receivables	(1,631)	(1,601)
Increase in trade and other payables	371	268
Net cash from operating activities	<u>(549)</u>	<u>(622)</u>
Investing activities		
Interest received	175	127
Net cash from investing activities	<u>175</u>	<u>127</u>
Financing activities		
Share issue	332	173
Net cash from financing activities	<u>332</u>	<u>173</u>
Increase/(decrease) in cash and cash equivalents	(42)	(322)
Non-cash movements - foreign exchange	48	(8)
Cash and cash equivalents at beginning of period	14,696	15,026
Cash and cash equivalents at end of period	<u>14,702</u>	<u>14,696</u>

Notes to the Company Statement of Financial Position

For the year to 31 March 2018

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

Enteq Upstream Plc is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given in the Company Information found on page 3.

Statement of compliance

These financial statements have been prepared in accordance with applicable accounting standards and in accordance with Financial Reporting Standard 101 – 'The Reduced Disclosure Framework' (FRS 101). The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have all been applied consistently throughout the year unless otherwise stated.

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention.

The board regularly reviews the Company's resources to ensure they are sufficient to continue trading for the foreseeable future. It is therefore considered appropriate to use the going concern basis to compile these financial statements. The main requirement is for sufficient financial resources to maintain the overhead required to fulfil the pipeline of business.

The financial statements are presented in US dollars as the majority of the Company's subsidiaries' activities and transactions are in US dollars.

Management notes that the Company's strategy is to invest in services aligned to the oil and gas industry, an industry which trades principally in US\$. All future operations and sources of funding are also expected to be located in the US for the foreseeable future.

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The Company's profit is disclosed on page 62.

In preparing these financial statements the Company has taken advantage of the following disclosure exemptions conferred by FRS 101:

- The requirements of IAS 24: related party disclosures to disclose related party transactions entered in to between two or more members of the group as they are wholly owned within the group;
- Presentation of comparative reconciliations for intangible assets and property, plant and equipment;
- Disclosure of key management personnel compensation;
- Capital management disclosures;
- Presentation of a comparative reconciliation of the number of shares outstanding at the beginning and at the end of the period;
- The effect of future accounting standards not adopted;
- Certain share based payment disclosures; and
- Disclosures in respect of financial instruments (other than disclosures required as a result of recording financial instruments at fair value).

Parent company

The Company is a wholly owned subsidiary of Enteq Upstream PLC which prepares publicly available consolidated financial statements in accordance with IFRS. This Company is included in the consolidated financial statements of Enteq Upstream PLC for the year ended 31 March 2018. These accounts are available from The Courtyard, High Street, Ascot, Berkshire, SL5 7HP.

Foreign currencies

Foreign currency transactions are translated into the local currency of the Company, US dollars, using the exchange rates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date).

Tangible assets

Tangible assets are stated at cost less accumulated depreciation and any impairment in value. The initial cost of an asset comprises its purchase price or construction cost, and any costs directly attributable to bringing the asset into operation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

The estimated useful lives are determined separately for each category and are as follows:

Computer equipment	3 years
Office equipment	1 year

A tangible fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the administrative expenses in the year the item is derecognised.

Investments

Fixed asset investments in subsidiaries are shown at cost less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Trade and other payables

Trade and other payables are not interest-bearing and are recognised initially at fair value. Subsequently they are carried at amortised cost.

Amounts due from or to group companies

Amounts due from or to group companies are initially recognised at fair value being the present value of future interest and capital receipts discounted at the market rate of interest for a similar financial asset or liability. For group loans which are due on demand or where there is no significant difference between the amount due/payable and fair value on initial recognition then such loans are carried at the amount due/payable on an amortised cost basis. Interest receivable or payable on the loan is recognised in profit or loss under the effective interest method.

Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued. Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Retained earnings include all current and prior period retained profits. All transactions with owners of the parent are recorded separately within equity. Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

Share based payment reserve

Represents the total accumulated share based payment charge less any amounts transferred following the issue of the relevant shares.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the Statement of Financial Position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Statement of Financial Position date. Temporary differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Share based payments

All employees receive remuneration in the form of share-based payment transactions, whereby they render services in exchange for rights over shares under the Enterprise Management Incentive Plan option scheme. The executive directors and other senior managers receive remuneration in the form of share-based payment transactions, whereby they render services in exchange for rights over shares under the Performance Share Plan. Both these schemes have options that vest three years after the date of grant. The total amount to be expensed over the vesting period of the options is determined by reference to the fair value at the date of granting and the number of awards that are expected to vest. The fair value is based upon a Black-Scholes model taking into account different scenarios for the possible outcomes of the Company's investment activities, using management's best estimates of these likely outcomes. The total expense is based upon initial conditions and will crystallise smoothly over the vesting period without reassessment of the initial fair value. The charge is annually reassessed, based on the total number of options expected to vest. In addition, where there are changes to the terms of any agreements, the fair value is reassessed at that time. The movement in cumulative expense is recognised in the profit and loss, with a corresponding entry to the share-based payment reserve.

On 17 September 2014, the Company introduced a Performance Share Plan ("PSP") for the Executive Directors and other key senior managers. The awards at the nominal value of the shares, but the exercise of which is subject to certain performance conditions.

Incentive Shares

The Incentive Shares do not carry any voting or dividend rights and are not transferable. The amounts subscribed for the Incentive Shares have been recognised as a current liability on the Statement of Financial Position as they become repayable if the Executive Directors leave office.

2. PROFIT FOR THE YEAR

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The parent Company's profit for the financial year was \$831k (2017: \$574k).

3. TANGIBLE FIXED ASSETS

	Computer equipment \$000's	Office equipment \$000's	Total \$000's
Cost:			
As at 1 April 2017 and 31 March 2018	10	5	15
Depreciation:			
As at 1 April 2017	10	5	15
Charge for the year	-	-	-
As at 31 March 2018	10	5	15
Net Book Value:			
As at 1 April 2017	-	-	-
As at 31 March 2018	-	-	-

4. INVESTMENTS

	Shares in Group undertakings \$000's
Cost	
As at 1 April 2017 and 31 March 2018	23,285
Impairment	
As at 1 April 2017 and 31 March 2018	23,285
Net book value	
As at 1 April 2017 and 31 March 2018	-

The Group or the Company's investments at the Statement of Financial Position date in the share capital of companies represent the following:

Name	Country of incorporation	Nature of business	Holding
Enteq Upstream USA Inc.	United States of America	Manufacturer of down hole drilling equipment	100%

5. DEBTORS

<i>Amounts falling due within one year:</i>	31 March 2018 \$000's	31 March 2017 \$000's
Amounts owed by Group undertakings	14,272	12,695
Prepayments	39	38
Other debtors	97	44
	<u>14,408</u>	<u>12,777</u>

The management believe that the carrying value is an approximation of fair value.

6. **CASH AT BANK AND IN HAND**

	31 March 2018 \$000's	31 March 2017 \$000's
Denominated in USD	14,588	13,735
Denominated in GBP	114	961
	<u>14,702</u>	<u>14,696</u>

7. **INTER-COMPANY LOAN NOTES**

	31 March 2018 \$000's	31 March 2017 \$000's
Receivable from Enteq Upstream USA Inc:		
As at 1 April	37,928	37,928
Provision	(29,336)	(29,336)
As at 31 March	<u>8,592</u>	<u>8,592</u>

8. **CREDITORS**

	31 March 2018 \$000's	31 March 2017 \$000's
Accrued expenses	943	696
Trade payables	94	7
Social security and other taxes	46	9
Other creditors	80	80
	<u>1,163</u>	<u>792</u>

The management believe the carrying value is an approximation of the fair value. The average creditor days for the period ending 31 March 2018 is 35 days (2017: 11 days).

9. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid ordinary shares of GBP 0.01 nominal value:

	<i>Number</i> <i>000's</i>	<i>Share</i> <i>Capital</i> <i>\$000's</i>	<i>Share</i> <i>Premium</i> <i>\$000's</i>
As at 1 April 2017	60,712	963	90,718
Issued during the year	1,426	19	313
As at 1 March 2018	<u>62,138</u>	<u>982</u>	<u>91,031</u>

All shares issued carry the same voting rights.

10. **RELATED PARTY DISCLOSURES**

Details of directors' remuneration and other transactions are set out on pages 18 to 21.

11. **ULTIMATE CONTROLLING PARTY**

There is no ultimate controlling party.