ENTEQ UPSTREAM PLC

ANNUAL REPORT

FOR THE YEAR TO 31 MARCH 2021

REGISTERED NUMBER: 07590845 (England and Wales)

Contents

Key features, Financial Metrics and Outlook

Key features

- Total revenue down from $10.9m to $5.1m due to COVID 19 impact:
    - North America revenue down from $7.5m to $1.9m
    - International revenue down from $3.4 to $3.2m but now up from 32% to 62% of total
- Gross profit margin down from 61% to 53% due to product mix variances
- Administrative expenses before amortisation reduced from $7.3m to $3.6m:
    - Underlying overheads[1] reduced from $3.6m to $2.6m
    - Depreciation on rental fleet down from $3.2m to $0.9m
    - Depreciation on other fixed assets steady at $0.2m
- Loss attributable to shareholders down from $7.8m to $1.1m
- Breakeven adjusted EBITDA[2] on significantly reduced revenue
- Continued investment in new technologies

Financial metrics

	Years ended 31 March ($m):	
	2021	**2020**
• Revenue	5.1	10.9
• Gross profit margin	53%	61%
• Underlying overheads[1]	2.6	3.6
• Adjusted EBITDA[2]	0.1	3.1
• Exceptional items	0.1	7.3
• Total post tax loss	1.1	7.8
• Post tax loss per share (cents)	1.7	12.1
• Cash balance	8.1	10.2
• Investment in R&D	1.6	2.2

Outlook

- Recent oil price stabilisation and increased US rig count underpins optimism regarding US markets
- Targeted focus on international opportunities
- Ongoing investment in the development of new technologies
- Continued emphasis on maintaining a strong balance sheet

[1] *The reconciliation between Underlying overheads and Administrative expenses before amortisation is follows:*

	Year to 31 March 2021	Year to 31 March 2020
	$m	$m
Total overheads	2.6	3.6
Depreciation - fixed assets	0.2	0.2
Depreciation - rental fleet	0.9	3,2
PSP Share charge	0.2	0.3
Administrative expenses before amortisation (including bad debt charge)	3.9	7.3

[2] The reconciliation between Loss attributable to shareholders and Adjusted EBITDA is follows:

	Year to 31 March 2021	Year to 31 March 2020
	$m	$m
Loss attributable to shareholders	(1.1)	(7.8)
Exceptional items	0.1	7.3
Amortisation	-	0.2
Depreciation - fixed assets	0.2	0.2
Depreciation - rental fleet	0.9	3.2
PSP Share charge	0.2	0.3
Interest	(0.1)	(0.3)
Other (FX & tax)	-	-
Adjusted EBITDA	0.1	3.1

Both the above alternative performance measures are shown as the Board consider these to be key to the management as the business as a whole.

Company Information
For the year to 31 March 2021

DIRECTORS:

Chairman

Iain Paterson – *until 31 March 2021*
Martin Perry – *from 1 April 2021*

Executive Directors

Martin Perry – *until 31 March 2021*	*Chief Executive Officer*
Andrew Law– *from 1 April 2021*	*Chief Executive Officer (first appointed to the Board as Commercial Director on 29 September 2020)*
David Steel	*Chief Finance Officer*

Non-Executive Director

Neil Hartley	*Chairman of the Remuneration and Audit Committees*
Iain Paterson – *from 1 April 2021*	*Chairman of Nomination Committee*

SECRETARY
David Steel

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Strategic Report

The above starts with the combined Chief Executive and Chairman's report and continues to the end of the Review of the Principal Risks and Uncertainties.

Combined Chief Executive and Chairman's report

Introduction

Enteq supplies Measurement While Drilling ("MWD") equipment and develops technology for the world-wide oil, gas and geothermal directional drilling sector. Directional drilling services are performed by service companies who either purchase equipment from third parties, such as Enteq, or develop the equipment themselves. MWD equipment is required on every rig which drills directional wells.

Enteq has a proven track record of providing extremely reliable and respected technology to regional / independent drillers who wish to compete with the major international drilling companies. Enteq's vision is to further develop game-changing technology which will provide efficient and cost-effective solutions for drilling companies, addressing a significantly broader market.

Enteq's business historically has been US focused, from facilities based in Houston, Texas, but during the last year the revenue split has become more international. Technology development projects are now also underway in the U.K.

As a result of the COVID-19 pandemic and the associated significant negative adjustment to the world-wide oil prices early in the year under review, Enteq has experienced significant challenges to its business during the last 12 months. Despite this, Enteq remains well positioned with a strong balance sheet. The on-going level of operational overheads have continued to be reduced in order to protect the cash balance, enabling Enteq to continue to invest in the future of the business.

Enteq intends to grow the business through a combination of both the introduction of new technologies, such as SABER rotary steerable drilling system project, and increasing the market share of current product lines in the markets outside North America.

Review of the Year

As this year's financial results are fully explained in the Financial Review of pages 9 to 11, this review will focus on Enteq's response to the challenging market conditions faced during the year to 31 March 2021.

In the previous financial year, Enteq responded quickly to the major reduction in demand for all its product lines seen during the spring of 2020. The US workforce was reduced by approximately 50%, all US based contract staff were released and all discretionary spend curtailed. This drive to reduce overheads continued throughout this reporting period, with two senior US sales and management focused posts being removed with their responsibilities being reallocated to both the remaining US and UK senior management team. Care was taken not to weaken the level of customer support provided with some of the overhead savings re-allocated to bolstering this function, which was further strengthened towards the year end by the use of contract staff. A new Product Director was recruited in November 2020 with a remit to successfully bring the SABER rotary drilling system through both laboratory testing and field trials, then onto full commercialisation in the shortest time possible.

Following a strategic review, the Board decided to permanently reduce the in-house capacity for manufacture of a range of low margin mechanical components. Following this decision, all of the related Houston based production equipment was sold during February/March 2021. As this equipment was virtually fully written down, this resulted in both net proceeds and the associated gain, of approximately $0.5m. The cash proceeds will be applied to the development of future products, such as the SABER system.

During this financial year the Group's US focussed rental fleet continued to provide a significant proportion of the total group revenue. However, the reduced demand in the US, coupled with the planned expiry of existing rental contracts has resulted in a reduction in the number of kits in the rental fleet from the 17 at the start of the year, down to two minor items on hire as at 31 March 2021.

The positive gains in the international market share made over the previous two years were maintained despite the price of a barrel of oil being below $40 until the end of June 2020 only rising to the current level of approximately $60 by the end of February 2021. This was due to both repeat orders from existing, primarily China based, customers as well as acquiring new customers in this region. The latest update from Enteq's strategic partner in the Kingdom of Saudi Arabia, Sawafi Aljazeera Oilfield Products and Services Co. Ltd ("Sawafi") is that their client, Saudi Aramco, have informed them that due to low drilling activity there is currently no foreseeable need for the equipment that was placed in Saudi Arabia on stand-by. The equipment will be redeployed to other opportunities. Sawafi wish to continue with the partnership arrangement with particular emphasis on the new technologies that Enteq is developing, chiefly SABER.

The SABER product development, based on the exclusive IP and Technology license agreement from Shell, has seen significant progress during the year, with all the design work now completed and field trial ready prototypes currently going through the laboratory-based testing phase. The appointment of the experienced Product Director has significantly focused the project on ensuring that a fleet of commercially viable prototypes will be ready for deployment with potential customers before the end of the current financial year. Despite the oil price fluctuations seen this year, the global market for rotary steerable related services in 2021 is still estimated to be in the region of $2bn. This is significantly greater than the addressable market for Enteq's current product offerings. Other engineering projects currently on-going are focussed on developing improved signal analysis and higher speed up-hole telemetry systems, both of which could be sold as separate product lines as well as integrating seamlessly into the SABER system.

Board changes

On 29 September 2020, Andrew Law joined the Board as a Commercial Director, having been employed by Enteq in January 2019 as Director of International Sales, a non-Board appointment. Andrew has a background in the oilfield industry through Field Engineering at Schlumberger and General Management within Weatherford. Andrew has also worked in corporate finance at KPMG and is a Sloan Fellow from London Business School. The Board changes announced on 12 November 2020, came into effect on 1 April 2021, with Andrew, becoming the Chief Executive Officer and Martin Perry, the founder of Enteq and previous CEO moving to the role of Non-Executive Chairman. The other changes include Neil Hartley taking the role of Senior Independent Non-Executive Director, with Iain Paterson, the previous Chairman, continuing as a Non-Executive Director. David Steel continues to serve on the Board as Chief Financial Officer. In the early part of the Financial Year (April 2020), Raymond Garcia, a founder and Board member left the company.

Staff

There was a total of 15 employees at the end of the year, down from the 19 at the previous year end, primarily due to the further overhead positions being removed at the South Houston facility, as discussed above. The Board would like to recognise the on-going loyalty, dedication and support of the remaining personnel as Enteq continues with its excellent reputation for the reliability of equipment and commitment to customer support during these difficult market conditions.

Potential change of name

The Board is considering a change of name to Enteq Technologies as this name better reflects the core strategy of the group which is to develop technologies that enable more efficient, and hence cost effective, methods of drilling for all target resources. These methods are as applicable to geothermal applications, as shown by an increasing proportion of revenue coming from this activity, up from just over 3% last year to just over 6% this year, as well as improving the efficiency of drilling for hydrocarbons, especially gas. A special resolution will be put to the forthcoming AGM proposing this change of name.

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, unchanged from the previous year, are used:

Financial:

- Revenue, gross profit margin, adjusted EBITDA and capital expenditure.

Other performance measures:

- Headcount and 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, both WTI and Brent Oil Prices and Henry Hub Natural Gas Price.

Governance

Enteq is committed to maintaining high standards of Corporate Governance, as such on 10 July 2018, the Enteq Board formally adopted the Quoted Company Alliance Code of Corporate Governance. More details are given on page 23.

Section 172 Statement

Section 172 of The Companies Act 2006 states that a director of a company must act in the way it considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing so a director of a company must have regard (amongst other matters) to:

a. The likely consequences of any decision in the long term;

b. The interests of the company's employees;

c. The need to foster the company's business relationships with suppliers, customers and others;

d. The impact of the company's operations on the community and the environment;

e. The desirability of the company maintaining a reputations for high standards of business conduct; and

f. The need to act fairly as between members of the company.

The Board reviewed their current approach to corporate governance and decision making, engagement with stakeholders and the Company's impact on the environment. The following summarises how the company's Board fulfils its duties under Section 172.

Decision Making

The Board ensures that strategic initiatives feed directly into one or more of the following fundamental ambitions - to be simple to do business with; to be at all times customer oriented and inspire trust; and to achieve operational excellence; as well as agility, speed and innovation. The Board review and consider the various stakeholders when arriving at recommended business decisions consistent with the strategy. The Company strategy aims to be competitive, flexible and resilient while also responding to a rapidly changing market situation. All decisions are reviewed at each Board meeting and specifically at the annual Strategic Review. Examples of Board decision making during this reporting period include:

- Quickly responding to the COVID 19 related impact on the demand for the group's products by implementing a further overhead reduction program.
- Reviewing the company's operational structure to ensure the organisational model remains fit for the future; this included the streamlining of staff numbers and re-allocation of responsibilities.
- Recruiting a new SABER Project Director to ensure the maximum focus on a successful introduction of this new product line.
- Reviewing the Group's long-term strategic objectives. The progress made during the year and principal risks to these objectives have been addressed both in the Strategic Report and the Review of Principal Risks and Uncertainties.

Employee Engagement

The Board recognises that the staff are the most valuable asset in the group. The company strives to invest in training, coaching, and skills acquisition, but given the size and the current team and the market conditions experienced during the year, this has proved a challenge. However, personal development of our employees remains a key pillar of the Company's strategy. The Board aim to be a responsible employer in the approach to the pay and benefits of employees. Furthermore, the health, safety and wellbeing of the staff is one of the primary considerations in the way the company does business. Examples of the Board's engagement with employees this reporting period include:

- Holding virtual all staff briefings on both the full year and interim results;
- Requesting that all employees to participate in the monthly health and safety meetings; and
- Reviewing the output of each of these meetings at Board meetings.

Due to the UK/US travel restrictions the ability for the UK based senior team to interact with the US staff has been severely limited, however Andrew Law got permission to travel to Houston during March 2021 to conduct a number of "one to one" discussions with the US based staff.

Business Relationships
The Board engages with a variety of stakeholders, including shareholders, customers, and suppliers, to inform and enable balanced decisions that incorporate multiple viewpoints, whilst maintaining the Company's Strategy. In making decisions the Board considers outcomes from engagements with stakeholders as well as the importance of maintaining the Company's integrity, brand and reputation.
Examples of the Board's engagement with stakeholders reporting period include:
• Receiving regular customer service performance updates and feedback from customers to assist in decision making regarding customer focused initiatives;
• Working with both suppliers and customers to assist where these stakeholders may be experiencing cashflow difficulties due to the COVID 19 related market conditions; and
• Holding regular meetings with shareholders to explain both the full year and interim results to assist investors to understand the strategic direction of the company.

Community and Environment
Sustainability is an increasing focus within all the Group's activities. The Board recognises the relevance of leading the company in such a way that it contributes to wider society. Again, given the size and the current team and the market conditions experienced during the year this has proved a challenge. However, during the period under review there have been regular reviews on minimising waste production and energy usage and maximising the volumes of materials re-cycled.

Culture and values
The company's culture is characterised by clear responsibility, mutual respect and trust. Lawful conduct and fair competition are integral to its business activities and an important condition for maintaining a reputation for high standards of business conduct in order to secure long term success. The company is focused on people, with both customers and employees being at the heart of its business. The company embraces diversity, flexibility, sustainability and continuous improvement throughout the organisation. The company has a customer centric philosophy with transparent, fair and simple processes. The Board and senior management have taken active steps to drive cultural change and to ensure corporate strategy and customer orientation principles and values are embraced across the organisation.

Prospects

Despite the very challenging trading conditions seen in the period under review, Enteq continues to be well positioned to support current activities for the foreseeable future. In addition, Enteq will continue investment in the potentially game-changing SABER rotary steerable technology, as well as the other technology driven engineering projects. The post Covid-19 market for Enteq's is currently evolving, but the recent oil price stability, together with the steadily increasing US rig count, gives the Board grounds for cautious optimism regarding the short and medium-term outlook.

Martin Perry

Chairman

Andrew Law

Chief Executive officer

6 July 2021

Financial Review

Income Statement

This is a pro-forma statement which is different in presentation to the statutory format shown on page on page 36.

Year to 31 March:	*2021*	*2020*
	$ million	*$ million*
Revenue	**5.1**	**10.9**
Cost of Sales	(2.4)	(4.3)
Gross profit	**2.7**	**6.6**
Overheads	(2.6)	(3.5)
Adjusted EBITDA	**0.1**	**3.1**
Depreciation & amortisation	(1.1)	(3.6)
Other charges	(0.1)	(0.3)
Ongoing operating loss	**(1.1)**	**(0.8)**
Exceptional items	(0.1)	(7.3)
Operating Loss	**(1.2)**	**(8.1)**
Interest	0.1	0.3
Loss before tax	**(1.1)**	**(7.8)**
Tax	-	-
Loss after tax	**(1.1)**	**(7.8)**

The North American market was extremely challenging during the year, with the rig count falling from 790 at the end of February 2020 to 664 as at 31 March 2020, then down further to a low of 266 at the end of July 2020, an overall reduction of 68% from the February level. Thereafter there was a steady month on month increase to 430 active rigs by the end of March 2021. The price of a barrel of WRT fell from $53 in February to a low of $16 at the end of April; it then stabilized at approximately $40 for the majority of the year, rising to approximately $60 for the last two months of the year under review. The impact of the above was that North American revenue fell from $7.5m last year to $1.9m this year. Due to strong continued demand, primarily from China, the international revenue at $3.2m was virtually unchanged from the $3.4m of last year.

The full year gross margin was 53%, down from last year's 61%, due to a combination of a lower proportion of the higher margin rental revenue and a higher proportion of the lower margin mechanical component sales this year.

Total operational overheads, at $2.6m, was down $0.9m on last year's figure. This reflected the reduction in the headcount numbers, primarily two senior posts in the US during the year, plus a continued focus on cost control.

The combined depreciation and amortisation charge was significantly down on the previous year due to the number of rental kits falling from 17 at 31 March 2020 to just two minor components on rental as at the end of this year.

The "Other charges" shown above relate, primarily, to the non-cash cost associated with the Performance Share Plan.

The net exceptional item charge of $0.1m comprises severance costs of $0.4m relating to the headcount reductions mentioned above plus aborted transactions costs of $0.1m, offset by a $0.5m gain following the sale of the mechanical component related production machinery at the Houston facility.

Statement of Financial Position

This is a pro-forma statement which is different in presentation to the statutory format shown on page on page 37.

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

As at 31 March:	*2021 $million*	*2020 $million*
Intangible assets	1.7	0.1
Property, plant & equipment	2.3	2.4
Rental fleet	-	1.0
Net working capital	3.9	3.0
Cash	8.1	10.2
Net assets	**16.0**	**16.7**

Both the closing balance and the increase in the year in the intangible assets relate to the on-going spend on all the engineering projects, predominately the SABER rotary steerable system.

The net book value of property, plant & equipment at $2.3m is only $0.1m lower than the previous year-end despite the disposal of the mechanical component related production machinery due to these items having been previously written down to a very low carrying value due to the increasing use of sub-contractors to provide these parts.

The decrease in the net book value of the rental fleet reflects the net reduction kits on hire during the year, as previously mentioned.

The net working capital of $3.9m has increased $0.9m during the year. This is due to an increase in debtors of $0.5m; a reduction in creditors of $0.6m; and a decrease of inventory of $0.2m. The debtor and inventory movements relate to the impact of the higher level of trading seen on the last quarter of the financial year. The creditor movement is due to timing differences between incurring the cost and making the associated payments.

Cash flows

This is a pro-forma statement which is different in presentation to the statutory format shown on page on page 37.

Overall, the Group saw a net cash outflow of $2.1m (2020: $1.7m) reducing the Group's closing cash balance as at 31 March 2021 to $8.1m. The majority of this reduction ($1.6m) related to the on-going investment in the engineering projects, primarily the SABER tool.

Year to 31 March:	*2021 $ million*	*2020 $ million*
Adjusted EBITDA	**0.1**	**3.1**
Change in net operational working capital	(0.9)	(2.2)
Operational cash generated	**(0.8)**	**0.9**
Investment in rental fleet	-	(0.7)
Investment in R&D	(1.6)	(2.2)
Disposal of fixed assets	0.5	-
CAPEX	-	(0.2)
Severance and transaction costs	(0.5)	-
Interest and share issues	0.3	0.5
Net cash movement	**(2.1)**	**(1.7)**
Opening cash balances	10.2	11.9
Closing cash balances	**8.1**	**10.2**

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 $8.1m as at 31 March 2021. The impact of COVD 19 did not require any changes to the way capital is managed within the group.

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. The year-end GBP denominated holdings are approximately 3% of total cash holdings, down from the 11% of last year's balance. The decrease was due to taking advantage of the favourable exchange rate during the mid-March 2020 turmoil to sell $1.0m for GBP, a pattern not repeated this year.

Annual General Meeting

Unless the ongoing Government advice is not to hold this meeting in person, the Company's Annual General Meeting will be held on 23 September 2021 at 12.00 noon at the offices of finnCap, 1 Bartholomew Close, London, EC1A 7BL.

David Steel

Chief Financial Officer

6 July 2021

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. Both the risk register and associated risk matrix are regularly updated and reviewed by the Board, the last review being in January 2021. The principal risks are those shown first in each section together with a comment regarding the movement in risk during the year

The Directors believe the following risks, as set out in the Risk Register, 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.

The drastic oil price reduction seen in mid-March 2020 resulted in swift management action to minimise both the on-going cost base and cash drain. Since February 2021 the oil price has reached the level whereby the Board has seen increased activity within Enteq's market that has resulted in a reduced concern regarding this particular area of risk.

Summary: The risk increased during the year under review but has reduced in the period 31 March to the date of the signing of these accounts.

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.

The combined and inter-related impact of both the COVID-19 virus and the drastic reduction in the oil price seen in March 2020 had a significant impact on Enteq's trading environment during the year to March 2021. As mentioned above, recent oil price stability combined with the steady increase in the number of North American rigs actively drilling has given the Board a level of assurance that this risk has reduced from this time last year.

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.

Summary: In the North American market the risk increased during the year under review but has reduced in the period 31 March to the date of the signing of these accounts. Outside North America the higher risk remains.

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.

Summary: No change in risk.

GROUP SPECIFIC RISKS

Relevance of product offering
The Board acknowledges that the group constantly needs to review the current line of products so that it offers what the market demands. Failure to create new high-quality products to meet customer needs, or failure to adequately protect intellectual property, will result in a loss of market share and associated reduced financial performance.

There is a clear product development strategy combined with regular reviews of the current engineer projects. Intellectual property is protected through obtaining the appropriate patents.

Summary: The risk has been reduced due to the continuing development of the SABER product.

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.

The decrease in the number of senior sales and general management posts during the year has been countered by the recruitment of a senior manager tasked with overseeing all engineering projects. Thus, on balance, this risk has not increased significantly during the year. The Board continues to balance this risk with the requirement to keep overhead spend constantly under review.

Summary: Due to the actions taken during the year there is no change in this risk.

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. With the recent stabilization in the North American market any significant loss of business due to a North America based customer going out of business has reduced from this time last year. The international market has traditionally seen long lead times between receiving an initial enquiry and delivery the kit, thus any loss of a major customer outside North America is more difficult to replace. The current “pipeline” of international enquiries goes some way to mitigating this risk.

The Board is aware that the concentration of revenue represented by the major customers has increased during this year. With the current stability in the energy production market seen recently, the Board is confident that this risk should not increase significantly in future trading periods.

Summary: Due to the actions taken during the year there is no change in this risk.

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.

Summary: Due to the level of reported cash there has been no change in thus risk.

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 it related to breaches in health and safety.

Summary: Due to the continuing focus on HSE compliance there has been no change in this risk.

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.

Summary: Due to no notification of patent infringements plus continued patent applications there has been no change in this risk.

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.

Summary: No change in this risk.

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 Board commissioned an independent IT security review during the year under review. The review found no major security issues requiring management action.

Summary: Due to actions taken following the cyber security review undertaken during the year this risk has reduced.

The Strategic Report set out on pages 5 to 14 was approved by the Board of Directors on 6 July 2021 and signed on its behalf by:

Andrew Law

Chief Executive Officer

6 July 2021

Environmental, Social and Governance report

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.

Enteq's 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 all 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. The Board 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

Enteq continues to recognise that employees are the most valuable asset in the Group. Both senior and local management have ensured that all staff are kept informed of the changes to trading patterns and fully explained the reasons behind the actions taken during the year. As at 31 March 2021, the Group had 15 employees (2020: 19).

The group continually looks to improve its structures to ensure that all aspects relating to employment, training, career development and promotion of disabled persons is appropriate to the environment in which all employees work and fully comply with all relevant laws and regulations.

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 just one reportable incident (2020: nil). The appropriate corrective action was taken following this reportable incident.

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. The Board takes the view that sustainable development is in the interests of all our stakeholders and include environmental issues in all planning and decision-making.

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

Key aspects of the Group's 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.

The company is not a large company and thus no SECR (Streamlined Energy and Carbon Reporting) disclosures are required.

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

6 July 2021

Report of the Directors

For the year to 31 March 2021

The directors present their report with the financial statements of the Group and the Company for the year to 31 March 2021.

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

Andrew Law ***Chief Executive Officer***
Andrew Law (46), has a background in oilfield services through Field Engineering at Schlumberger and General Management within Weatherford. Andrew has worked in corporate finance at KPMG and is a Sloan Fellow from London Business School.

David Steel ***Chief Finance Officer***
David Steel (60), 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.

Martin Perry ***Non-Executive Chairman***
Martin Perry (59), formerly CEO of Sondex. 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.

Iain Paterson ***Non-Executive Director***
Iain Paterson (74), formerly Chairman of Sondex and HYVE Group plc, Non-Executive Director of Hunting plc, Paladin Resources, 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.

Neil Hartley ***Non-Executive Director***
Neil Hartley (55), Formerly with First Reserve Corporation, a leading global private equity investment firm exclusively focused on energy. He has held senior positions with McKinsey & Company and Simmons & Company International. Neil chairs both the Company's Audit and Remuneration Committees.

As Andrew Law was appointed to the Board on 18 September 2020, he will require re-election at the forthcoming Annual General meeting.

Dividends
No dividends will be distributed for the year ended 31 March 2021 (year ended 31 March 2020: nil).

Post Balance Sheet Events
Neither the continuing impact of COVID-19 nor any other event has resulted in any reportable post balance sheet events as at the date of this report.

Research and Development
The Company maintains its commitment to research and development through the activities undertaken by the Engineering team, based both in the South Houston and locations in the United Kingdom.

Risks and uncertainties
A review of the key risks and uncertainties affecting the Group is set out on pages 12 and 14. The Group's exposure to key financial risks is set out in note 25 to the financial statements, see page 60.

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.

Future developments
A key future development will be a focus on the introduction of innovative technologies into the market place, primarily the SABER rotary steerable tool, as referenced in the strategic review.

Annual General Meeting
The Annual General Meeting of the Company will take place on 23 September, 2021 at 1 Bartholomew Close, London, EC1A 7BL 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. As at 31 March 2021, there were 67,834,698 Ordinary shares. 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.

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 accounting standards in conformity with the requirements of the Companies Act 2006' 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
At 31 March 2021 the Group has cash balances of $8.1m and no debt.

The continuing impact of COVID-19 has been fully factored into various financial scenarios relating to future trading. The output of this modelling demonstrates that even in the case of a significant reduction in revenue the corresponding cost reduction measures and reduction in CAPEX and development spend will enable the Group to retain significant cash balances in both the near and medium term. Accordingly, the Group continues to adopt the going concern basis for the following 12 months in preparing its consolidated financial statements.

All the staff at the Group's Houston based facility are back to working their usual shift patterns following implementation of revised safe working practices in view of Covid-19 concerns. As at the date of this report the UK based staff continue to work remotely.

Auditors
BDO LLP will be proposed for reappointment at the forthcoming Annual General Meeting in accordance with Section 489(4) of the Companies Act 2006.

Signed on behalf of the Board

David Steel

Company Secretary

6 July2021

Remuneration Committee Report

For the year to 31 March 2021

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 Quoted Company Alliance Code 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 both the executive and non-executive directors. This includes 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 managers.

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 2018) 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 2021, the targets related to the group achieving the following targets: an underlying adjusted EBITDA at least equal to the Board approved budget; a breakeven level of basic eps (calculated by dividing the loss attributable to ordinary shareholders for the year by the weighted average number of ordinary shares in issue during the year); a specific year-end cash balance; acquiring a certain number of new customers and the launch of new technologies. As not all of the financial targets were achieved the Remuneration Committee decided to pay only a proportion of the full amount 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. Only the current executive directors are incentivised via the PSP scheme (see below). Since the change of his role from Chief Executive Officer to non-executive chairman, which came into effort on 1 April 2021, Martin Perry retains the right to benefit from any PSP awards made during his time as an executive director.

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 21.

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 9 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 annual remuneration rates of the directors in office during the year ended 31 March 2021 were as follows (all salaries denominated in £ Sterling have been converted to US dollars):

	Annual Remuneration *31 March 2021*	Annual Remuneration *31 March 2020*
	$ 000's	*$ 000's*
Martin Perry	463	501
Andrew Law – *from 29 September 2020*	127	-
David Steel	299	308
Total - Executive	**889** *	**809**
Iain Paterson	53	38
Robin Pinchbeck – *to 24 March 2020*	-	38
Neil Hartley – *from 24 March 2020*	53	-
Total – Non executive	**106**	**76**
Total	**995**	**885**

** Includes the following:*

	31 March 2021	*31 March 2020*
Martin Perry		
Pension contribution	*26*	*25*
Gains on LTIPs exercised	*87*	-
Andrew Law		
Pension contribution	*9*	-
Gains on LTIPs exercised	-	-
David Steel		
Pension contribution	*34*	*20*
Gains on LTIPs exercised	*43*	-

In order to maximise the group's cash balance, from 1st February 2015, elements of the Board's remuneration were settled in shares rather than cash. Included in the annual remuneration figures set out in the above table are the following elementssettled in shares:

	31 March 2021 *$ 000's*	31 March 2020 *$ 000's*
Martin Perry	254	256
Andrew Law – *from 29 September 2020*	11	-
David Steel	128	125
Total - Executive	**393**	**381**
Iain Paterson	9	-
Robin Pinchbeck – *to 24 March 2020*	-	-
Neil Hartley – *from 24 March 2020*	9	-
Total – Non executive	**18**	**-**
Total	**411**	**381**

Interests in PSP options	Number of PSP Options at 31/3/21	Number of PSP Options at 31/3/20	Vesting dates
Martin Perry	-	540,000	June 2020
David Steel	-	270,000	June 2020
Martin Perry	714,286	714,286	June 2021
David Steel	367,347	367,347	June 2021
Martin Perry	495,629	495,629	June 2022
Andrew Law	184,091	184,091	June 2022
David Steel	254,895	254,895	June 2022
Martin Perry	959,259	-	June 2023
Andrew Law	256,296	-	June 2023
David Steel	493,333	-	June 2023
Total	**3,725,136**	**2,826,248**	

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

Vesting Date:	June 2021	June 2022	June 2023
Proportion awarded for compound annual growth rate in Total Shareholder Return (“TSR”)[1] of:			
30% or greater	100%	100%	100%
10%	33%	33%	33%
Less than 10%	0%	0%	0%
Note: Award pro- rated if growth between 10% and 30%			
Proportion awarded for adjusted EBITDA:			
Maximum of range achieved	100%	100%	100%
Minimum of range achieved	33%	33%	33%
Weighting:			
TSR (share price) growth	50%	50%	50%
Adjusted EBITDA	50%	50%	50%
Start point:			
TSR (share price) growth	24.5p	28.6p	13.5p
Adjusted EBITDA range [2]	\$2.50m to \$4.70m	\$3.75m to \$7.50m	\$1.63m to \$2.22m

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.

[1] The TSR is defined as the difference between the share price on the date of the award (plus the sum of all dividends paid by the Company on one ordinary share during the three-year measurement period) and the share price on the measurement date.
[2] For the three years starting 1 April in the year the awards are granted.

The gains made on the exercise of the options made during the year to 31 March 2021 totalled \$137k (31 March 2020: \$227k).

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 2021.

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 above.

Neil Hartley

Chairman of the Remuneration Committee

6 July 2021

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 Quoted Companies Alliance we consider to be relevant to the company. See our website https://www.enteq.com/investors/corporate-governance/ for all the required disclosures regarding the company's governance arrangements.

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 current composition of the Board is set out below.

		Board	Audit committee	Remuneration committee	Nomination committee
Andrew Law	Chief Executive Officer	*Member*	-	-	-
David Steel	Chief Financial Officer	*Member*	-	-	-
Martin Perry	Non-Executive Chairman	*Chairman*	*Member*	*Member*	*Member*
Iain Paterson	Non-Executive Director	*Member*	*Member*	*Member*	*Chairman*
Neil Hartley	Non-Executive Director	*Member*	*Chairman*	*Chairman*	*Member*

David Steel also acts as the Company Secretary and, therefore, this role is not independent of the Board.

Up until 31 March 2021, Iain Paterson held the role of non-executive Chairman with Martin Perry holding the post of Chief Executive Officer ("CEO"). As of 1 April 2021, Martin Perry has taken the role of non-executive Chairman, with Andrew Law taking over as CEO, having previously served on the Board as Commercial Director.

In the year the under review the Board formally met on 12 scheduled occasions, with additional meetings and conference calls held as deemed necessary. All the directors attended every meeting.

The division of responsibilities between Martin Perry, Chairman, and Andrew Law, 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 with Neil Hartley joining the Board as Chairman of the Audit Committee it is considered that the skills necessary to fulfil their duties have increased during the year. In addition, financial advice is available externally as and when they require it. The committee has met twice during the year under review.

The full text of the audit committee report can be found at https://www.enteq.com/investors/corporate-governance/

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.

Following a tender process the Audit Committee decided to replace Grant Thornton UK LLP, who had been the Group's auditor since incorporation, with BDO.

The committee closely monitors fees paid to the auditors in respect of non-audit services, which are analysed within note 9 on page 51. In 2021, fees for non-audit services totalled $23k in comparison to audit fees of $76k. 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 met once 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.

The Directors recognise the value and importance of maintaining the highest standards of corporate governance. To this effect, on 10 July 2018, the Board agreed that the Quoted Companies Alliance's ("QCA") code of corporate governance was the most appropriate for Enteq Upstream plc to follow, and so, was formally adopted. The main principles of the QCA Code and how Enteq ensures that it is fully compliant with these principles are set out below:

- Establish a strategy and business model which promote long-term value for shareholders;
    - Enteq has an established strategy and business model supplying the global Oil & Gas directional drilling market with high-end, differentiated, robust Measurement While Drilling equipment and associated parts and components. Both the strategy and business model are subject to Board review on at least an annual basis to ensure that they provide the most appropriate way to provide long-term value for shareholders.
    - Compliance during year: Reviewed during the Strategy Day held in September 2020

- Seek to understand and meet shareholder needs and expectations;
    - The Executive Directors offer to meet the major shareholders after the announcement of both the year end and interim results. As well as presenting an explanation of these results, these meetings give the shareholders an opportunity to inform the Directors of both their needs and expectations. The AGM is an opportunity for all shareholders to present their views to the whole Board. The Chairman is also available to meet shareholders at any time.
    - Compliance during year: Extensive shareholder meetings held post Interim results.

- Consider wider stakeholder and social responsibilities and their implications for long-term success;
    - Regular meetings are held with the staff to ensure that the strategic vision of the company is clearly presented.
    - Meetings are held with other stakeholders as required.
    - The manufacturing plant regularly re-assesses its impact on the environment and implements the appropriate procedures minimise any adverse effects.
    - Regular Health and Safety meetings are held with all staff to minimise the likelihood of any accidents and "near misses".
    - Compliance during year: Post March 2020 year end briefings held with staff; Monthly health and safety meetings held with reports noted at each Board meeting.

- Embed effective risk management, considering both opportunities and threats, throughout the organisation;
    - The Board is responsible for the Group's risk management and undertakes a systematic review of the key risks and uncertainties which face the Group. It seeks to embed risk management and to facilitate the implementation of risk management measures throughout the Group's businesses.
    - A comprehensive risk register is maintained, which is regularly reviewed by the Board.
    - Monthly reports relating to health and safety at work is presented to the Board.
    - Compliance during year: Risk matrix reviewed by Board

- Maintain the board as a well-functioning, balanced team led by the chair;
    - A "Board Effectiveness Review" is completed annually, with the results debated at the appropriate Board meeting. This review includes an assessment of whether the Board has functioned in compliance with this principle through assessing, inter alia, directors' level of skills and experience, the Board's performance, review of company strategy, quantity and quality of board meetings.
    - Compliance during year: Effectiveness review conducted pre year end.

- Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities;
    - In addition to being part of the "Board Effectiveness Review" outlined above, attendance at appropriate external training courses and seminars is encouraged.
    - Compliance during year: Not available due to COVID restrictions

- Evaluate board performance based on clear and relevant objectives, seeking continuous improvement;
    - A Board Effectiveness Review is carried out annually and is a rigorous process.
    - Compliance during year: Effectiveness review conducted pre year end.

- Promote a corporate culture that is based on ethical values and behaviours;
    - There are formalised policies covering areas such as anti-bribery and corruption, embargo compliance.
    - There is a company-wide "speak up" policy covering breaches or potential breaches of our business principles, unlawful conduct, financial malpractice or dangers to the public and the environment.
    - The importance of ethical value and behaviours is included in the regular staff meetings mentioned above.
    - Compliance during year: Reiterated during staff briefings.

- Maintain governance structures and processes that are fit for purpose and support good decision-making by the board; and
    - In addition to the Board, that comprise two executive and two non-executive directors, the following sub-committees of the Board are in place, each having their own terms of reference and comprise solely of Non-Executive Directors of the Company, except for the Nomination Committee which includes the Chief Executive Officer:
        - Audit Committee whose main responsibilities are:
            - 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;
        - Remuneration Committee whose main responsibilities are 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
        - Nomination Committee whose main responsibilities are the reviewing and recommending executive and Non-Executive Board appointments for the Group.
    - Compliance during year: Appropriate meetings held by all committees during the year under review.

- Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.
    - The compliance with this principle has been addressed through regular meetings with investors and regular staff and other stakeholder meetings as outlined above.
    - Compliance during year: See above comments.

David Steel

Company Secretary

6 July 2021

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

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent 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.

We have audited the financial statements of Enteq Upstream plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2021 which comprise the Consolidated Income Statement, 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 and notes to the financial statements, including a summary 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 accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

We have highlighted going concern as a key audit matter as a result of the estimates and judgments required by the Directors in their going concern assessment and the effect on our audit strategy. The level of judgement and estimation uncertainty has been significantly increased by the COVID-19 pandemic.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included:

- Discussing the impact of COVID-19 with management and the audit committee including their assessment of risks and uncertainties associated with areas such as the Group's workforce, supply chain, sales volumes and prices that are relevant to the Group's business model and operations. We compared this against our own assessment of risks and uncertainties based on our understanding of the business and oil and gas drilling sector information.
- Obtaining management's base case cash flow forecast, challenging the key operating assumptions based on 2021 financial year to date actual results, external data and market commentary, where possible.
- Obtaining management's reverse stress testing analysis which was performed to determine the point at which liquidity breaks and considered whether such scenarios, including significant reductions in sales were possible.
- Evaluating potential mitigating actions identified by management, including assessment of the reasonableness of any cost reductions.
- Testing the integrity of the forecast models and assessed their consistency with approved budgets, as applicable.
- Agreeing the current cash resources to supporting documentation.
- Reviewing the adequacy and completeness of disclosures in the financial statements in respect of going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Overview

Coverage	*100% of Group profit before tax* *100% of Group revenue* *100% of Group total assets*
Key audit matters	Year ended 31 March 2021 1. Going Concern □ 2. Revenue recognition □ 3. Valuation of inventory (Net realisable value) □
Materiality	*Group financial statements as a whole* $200,000 based on 2.3% of average turnover over the last three years

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Our Group audit scope focused on Enteq Upstream USA Inc., which is involved in the manufacture and sales of down hole drilling equipment in the USA, which together with the Parent Company in the UK were assessed to be significant components and were subject to a full scope audits performed by the Group engagement team.

Financial information relating to the remaining non-significant component of the Group was principally subjected to analytical review procedures performed by the Group engagement team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Conclusions related to going concern section of our report, we have determined the matters below to be the key audit matters to be communicated in our report

Key audit matter		**How the scope of our audit addressed the key audit matter**
Revenue recognition The Group's accounting policies on revenues are disclosed in note 4, and related disclosure is included in note 5.	Total revenue in the year amounted to $5.1m, consisting of $3.9m from sale of goods and $1.2m from rentals received under operating leases. Revenue recognition criteria under applicable accounting standards is different for the sales of goods and rental income. Given the two revenue streams stated above have different recognition policies and revenue cycles, the risk of incorrect revenue recognition is increased. This coupled with the cut-off risk at the year-end date with regards to sale of goods has resulted in revenue recognition being identified as a key audit matter.	Our audit work included the following procedures in respect of: *Sale of goods* • Testing the appropriateness of revenue recognition policy by comparing the policies adopted by the Group against the requirements of applicable accounting standards. • Reviewing the terms and conditions detailed within a sample of customer contracts for the sale of goods, to understand the sales process and to determine the point at which revenue is recognised. • Testing a sample of revenue entries to supporting documentation including sales invoices, proof of despatch cash receipts, and checking whether the transaction is in accordance with an underlying contract if applicable. • Performing cut-off testing in the period around year end to consider if revenue is recognised in the appropriate period by selecting a sample of goods despatched from the goods despatched listing and verifying these to shipping documents and revenue recorded. We reviewed a sample of credit notes issued in the period around year end and verified these to the original invoices and revenue recorded, checking that where it related to revenue before year end, this was correctly accounted for. *Rental income* • Testing the appropriateness of the revenue recognition policy by comparing the policy adopted by the Group against the requirements of applicable accounting standards • Evaluating whether the rental income meets the criteria of an operating lease by assessing the terms of the rental agreement against the Group's accounting policies. • Reviewing the terms and conditions detailed within a sample of rental agreement to understand the sales process and to determine the point of revenue recognition. • Testing a sample of revenue entries to supporting documentation including rental agreement, payment schedules, monthly invoices and cash receipts where applicable. **Key observations:** Based on the procedures performed we considered accounting for revenue recognition to be reasonable.

Key audit matter		**How the scope of our audit addressed the key audit matter**
Valuation of inventory (Net realisable value) The Group's accounting policies on inventory are disclosed in note 4, and related disclosures are included in note 16.	The inventory balance at the year-end is $2.9m. The Directors make regular assessment on whether inventory is held at the lower of cost or net realisable value. Given significant write down of inventory in the prior year coupled with the fact that drilling technology is constantly being developed and improved which creates a risk of obsolescence, as well as identifying net realisable value involves estimates, such as market price, we identified the valuation of inventory at year end as a key audit matter.	Our audit work included the following procedures in respect of: • Testing a sample of inventory from the inventory listing to sales invoices post year end to check that the value of the inventory was stated at the lower of cost or net realisable value. We have also tested a sample of raw materials to purchase invoices in order to assess whether the cost is valued correctly • For the sample above, where no sales were made post year end, we inspected the most recent sales invoice and corroborated management's assessment of the underlying market conditions to relevant correspondence with customers and considered how that would affect the future sales value of inventory held at year end. • We assessed the accounting policies on slow moving and obsolete inventory adopted by the Group for compliance with applicable accounting standards. • We have obtained the ageing report for slow moving inventory and reviewed the calculation by Management to provide for obsolete and slow moving inventories for the year. For items not fully provided for, we have obtained supporting documentation to determine if they were recoverable. • We attended the stock count at year end where we also made note of the condition of the inventory in order to identify any obsolete or slow moving inventory for consideration in determining the net realisable value of the inventory. **Key observations:** We found management’s estimates in determining the valuation of Inventory to be reasonable.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements	**Parent company financial statements**
	2021 $	2021 $
Materiality	200,000	140,000
Basis for determining materiality	2.3% of average total turnover over the last three years	70% of Group materiality
Rationale for the benchmark applied	Revenue was considered to be an appropriate benchmark as it is a key performance measure for the Group.	Capped 70% of Group materiality given the assessment of the components aggregation risk.
Performance materiality	130,000	90,000
Basis for determining performance materiality	65% of Materiality, based on our understanding of the Group and Parent Company and given that this is our first year of audit.	

Component materiality

We set materiality for each component of the Group based on a percentage of between 70% and 90% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from $140,000 to $180,000. In the audit of each component, we further applied performance materiality levels of 65% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of $4,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	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. In the light of the knowledge and understanding of the Group and Parent 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 Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or • the Parent 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

As explained more fully in the Statement of Directors' Responsibilities, 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 Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates and held discussions with management and the audit committee to understand the laws and regulations relevant to the Group and Parent Company. We considered the significant laws and regulations to be the financial reporting framework, Companies Act 2006, tax legislation and listing rules.

Our procedures included:
- Holding discussions with management and the audit committee and considering any known or suspected instances of non-compliance with laws and regulations or fraud identified by them;
- Reviewing minutes from board meetings of those charges with governance to identify any instances of non-compliance with laws and regulations;

We assessed the susceptibility of the financial statement to material misstatement, including fraud. We considered the fraud risk areas to be management override of controls and revenue recognition.

Our procedures included:
- Testing the appropriateness of journal entries made through the year by applying specific criteria, such as unusual account combinations, to detect possible irregularities and fraud;
- Performing a detailed review of the Group’s year end adjusting entries and investigating any that appear unusual as to nature or amount, in particular those relating to revenue;
- For significant and unusual transactions, particularly those occurring at or near year-end, investigating the possibility of related parties and the sources of financial resources supporting the transactions;
- Assessing the judgements made by management when making key accounting estimates and judgements, and challenging management on the appropriateness of these judgements; and
- The procedures performed in the Key Audit Matters section above.

Communicating relevant identified laws and regulations and potential fraud risks to all engagement team members and remaining alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jack Draycott (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
6 July 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Enteq Upstream Plc
Consolidated Income Statement

	Notes	***Year to 31 March 2021***	*Year to 31 March 2020*
		$ 000's	*$ 000's*
		Total	*Total*
Revenue	*5*	**5,078**	*10,903*
Cost of Sales		**(2,367)**	*(4,256)*
Gross Profit		**2,711**	*6,647*
Administrative expenses before amortisation	*9*	**(3,851)**	*(6,903)*
Bad debt provision charge to income statement		**(56)**	*(366)*
Amortisation of acquired intangibles	*9*	**(19)**	*(217)*
Other exceptional items	*6*	**(85)**	*(7,286)*
Foreign exchange profit on operating activities		**78**	*37*
Total Administrative expenses		**(3,933)**	*(14,735)*
Operating loss		**(1,222)**	*(8,088)*
Finance income	*8*	**67**	*250*
Loss before tax		**(1,155)**	*(7,838)*
Tax	*10*	**46**	*-*
Loss for the period		**(1,109)**	*(7,838)*
Loss attributable to:			
Owners of the parent		**(1,109)**	*(7,838)*
Loss per share (in US cents):	*11*		
Basic		**(1.7)**	*(12.1)*
Diluted		**(1.7)**	*(12.1)*

There are no other items requiring disclosure as comprehensive income.

The accounting policies and notes on pages 40 to 63 form part of these financial statements.

Enteq Upstream Plc
Consolidated Statement of Financial Position

	Notes	*As at 31 March 2021* $ 000's	*As at 31 March 2020* $ 000's
Assets			
Non-current			
Intangible assets	*12*	1,728	*134*
Property, plant and equipment	*13*	2,272	*3,433*
Trade and other receivables	*15*	168	*-*
Non-current assets		4,168	*3,567*
Current			
Trade and other receivables	*15*	2,405	*2,025*
Inventories	*16*	2,888	*3,110*
Cash and cash equivalents	*17*	8,059	*10,183*
Current assets		13,352	*15,318*
Total assets		**17,520**	***18,885***
Equity and liabilities			
Equity			
Share capital	*18*	1,056	*1,027*
Share premium	*18*	91,789	*91,579*
Share based payment reserve		455	*1,048*
Retained earnings		(77,324)	*(76,943)*
Total equity		15,976	*16,711*
Liabilities			
Current			
Trade and other payables	*19*	1,544	*2,174*
Total liabilities		1,544	*2,174*
Total equity and liabilities		**17,520**	***18,885***

The financial statements were authorised for issue and approved by the Board of Directors on 6 July 2021 and were signed on its behalf by:

David Steel

Director

The accounting policies and notes on pages 40 to 63 form part of these financial statements.

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
As at 1 April 2020	**1,027**	**(76,943)**	**91,579**	**1,048**	**16,711**
Issue of share capital	29	-	210	-	239
Transfers between reserves	-	728	-	(728)	-
Share based payment charge	-	-	-	135	135
Transactions with owners	29	728	210	(593)	374
Loss for the year	-	(1,109)	-	-	(1,109)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income	-	(1,109)	-	-	(1,109)
Total movement	29	(381)	210	(593)	(735)
As at 31 March 2021	**1,056**	**(77,324)**	**91,789**	**455**	**15,976**

	Called up share capital $ 000's	Retained earnings $ 000's	Share premium $ 000's	Share based payment reserve $ 000's	Total equity $ 000's
As at 1 April 2019	**1,005**	**(69,105)**	**91,398**	**750**	**24,048**
Issue of share capital	22	-	181	-	203
Share based payment charge	-	-	-	298	298
Transactions with owners	22	-	181	298	501
Loss for the year	-	(7,838)	-	-	(7,838)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income	-	(7,838)	-	-	(7,838)
Total movement	22	(7,838)	181	298	(7,337)
As at 31 March 2020	**1,027**	**(76,943)**	**91,579**	**1,048**	**16,711**

The accounting policies and notes on pages 40 to 63 form part of these financial statements.

Enteq Upstream Plc

Consolidated Statement of Cash Flows

	Year to 31 March 2021	*Year to 31 March 2020*
	$ 000's	*$ 000's*
Cash flows from operating activities		
Loss for the year	(1,109)	*(7,838)*
Net finance income	(67)	*(250)*
Gain on disposal of fixed assets	(455)	-
Share-based payment non-cash items	135	*298*
Foreign exchange charge	78	*(37)*
Depreciation and Amortisation charges	1,130	*7,822*
	(288)	*(5)*
Tax received	46	-
Decrease in inventory	222	*1,402*
(Increase)/decrease in trade and other receivables	(554)	*329*
Decrease in trade and other payables	(820)	*(863)*
Increase in rental fleet assets	(17)	*(742)*
Net cash from operating activities	**(1,411)**	***121***
Investing activities		
Purchase of Property Plant and Equipment	(29)	*(208)*
Disposal proceeds of tangible fixed assets	511	-
Increase in intangible fixed assets	(1,423)	*(2,150)*
Interest received	67	*250*
Net cash from investing activities	**(874)**	***(2,108)***
Financing activities		
Share issue	239	*203*
Net cash from financing activities	**239**	***203***
Decrease/(increase) in cash and cash equivalents	**(2,046)**	***(1,784)***
Non-cash movements - foreign exchange	(78)	*37*
Cash and cash equivalents at beginning of period	10,183	*11,930*
Cash and cash equivalents at end of period	**8,059**	***10,183***

The accounting policies and notes on pages 40 to 63 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year to 31 March 2021

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 (IFRSs) as adopted in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. They have been prepared under the assumption that the Group operates on a going concern basis.

3. STANDARDS, AMENDMENTS AND INTERPRETATIONS OF ACCOUNTING POLICIES

Accounting standards, amendments and interpretations effective in 2021

Other Accounting standards that have come into effect as of 1 April 2020 have been:

- IAS 1 Presentation of Financial Statements;
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material);
- IFRS 3 Business Combinations (Amendment – Definition of a Business);
- Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39 and IFRS 7);
- COVID-19-Related Rent Concessions (Amendments to IFRS 16); and
- Revisions to the Conceptual Framework for Financial Reporting.

The adoption of these standards has had no effect on the financial results of the Group.

Standards, amendments and interpretations, which are effective for reporting periods beginning after the date of these financial statements which have not been adopted early:

There are a number of standards, amendments to standards, and interpretations which have been issued that are effective in future periods and which the Group has chosen not to adopt early, in particular:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

None of these are expected to have a significant effect on the Group.

4. ACCOUNTING POLICIES

Overall considerations

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

Basis of preparation

The Group's financial statements have been prepared on an accrual basis and under the historical cost convention. Monetary amounts are expressed in US dollars and are rounded to the nearest thousands, except for earnings per share.

The financial statements are presented in US dollars as the Company's primary economic environment, in which it operates and generates cash flows uses this currency.

Basis of consolidation
The Group financial statements consolidate those of the parent Company and all of its subsidiaries as of 31 March 2021. 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 2021.

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.

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%
Jeteq Drilling Limited	England & Wales	Dormant	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.

Going concern
At 31 March 2021 the Group has cash balances of $8.1m and no debt.

Any on-going impact of COVID-19 have been fully factored into various financial scenarios relating to future trading. The output of this modelling demonstrates that even in the case of a significant reduction in revenue the corresponding cost reduction measures and reduction in CAPEX and development spend will enable the Group to retain significant cash balances in both the near and medium term. Accordingly, the Group continues to adopt the going concern basis for the following 12 months in preparing its consolidated financial statements.

All the staff at the Group's Houston based facility have returned to work after an implementation of revised safe working practices in view of Covid-19 concerns. As at the date of this report the UK based staff continue to work remotely.

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: $1.38 (31 March 2020 £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 arises mainly from the sale and rental of Measurement While Drilling ("MWD") equipment. To determine whether to recognise revenue, the Group follows a 5-step process:

- Identifying the contract with a customer
- Identifying the performance obligations
- Determining the transaction price

- Allocating the transaction price to the performance obligations
- Recognising revenue when/as performance obligation(s) are satisfied.

Recognition
Revenue is recognised as follows:
Revenue from contracts with customers
Revenue is derived from selling MWD equipment and is recognised at a point in time, when the Group satisfies performance obligation by transferring the promised goods to its customers. Revenue is recognised when the transfer of control takes place; this is taken to be at the point of despatch from the Group's facilities when the full legal title is transferred. The price is fixed from when the relevant sales order is received from the customers.

Rental - Operating leases
Revenue from rentals of MWD equipment received under operating leases is recognised in the profit and loss account as the performance obligation under the lease contracts is satisfied over time, i.e. on a straight-line basis over the period of the lease. This revenue is deemed to be outside of the scope of FRS 16 'Leases' on the basis that the lessee has the right to cancel the lease and return the equipment at any time after the minimum rental term (typically the first 3 months). Following the return of the equipment the lessee has no further financial obligations and at no time during the rental period does lessee obtain legal title to the equipment.

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

UK Furlough scheme
Under the above the group received the equivalent of $26k from the UK government in respect of the year to 31 March 2021. It was recognised on receipt of the claim.

Operating expenses
Operating expenses are recognised in profit or loss upon utilisation of the service. Expenditure for warranties is recognised and charged in the period the warranty costs are incurred.

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, and severance costs.

Intangible Assets and Goodwill

a) Other intangible assets

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

b) 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 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:

IPR&D technology	5 to 20 years

Impairment testing of, 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, two impairment tests have been carried out; one associated with the intangible asset relating to the SABER project; and the other with the assets excluding the SABER project.

There is deemed to be two cash generating units ("CGU") within the Group one for each of the impairment tests stated above.

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. 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	10 to 35 years
Production equipment	4 to 7 years
Other equipment	3 to 7 years
Rental assets	Over the life of the asset or the rental period, whichever is the shortest

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

Leased assets
The Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

The Group as a lessee
For any new contracts entered into on or after 1 April 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use.

The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee
At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist. At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group as a lessor
The Group's accounting policy under IFRS 16 has not changed from the comparative period. As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Accounting policy applicable before 1 April 2019
The Group as a lessee
Finance leases
Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Group obtains ownership of the asset at the end of the lease term. For leases of land and buildings, the minimum lease payments are first allocated to each component based on the relative fair values of the respective lease interests. Each component is then evaluated separately for possible treatment as a finance lease, taking into consideration the fact that land normally has an indefinite economic life. The interest element of lease payments is charged to profit or loss, as finance costs over the period of the lease.

Operating leases
All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Group as a lessor
Rental income is recognised on a straight-line basis over the term of the lease.

Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the corporation does not have any financial assets categorised as either FVTPL or FVOCI.

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 expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortised cost using the effective interest method. 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.

Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Trade and other receivables and contract assets

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses. As the Group has so few customers with significant outstanding receivable balances the expected credit losses can be assessed on an individual customer by customer basis.

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

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
The group operated two schemes. One is the Enterprise Management Incentive plan the other the Performance Share plan. Both these schemes have options that vest three years after the date of grant and expired ten years after that date. The total amounts to be expensed to the Profit and Loss account 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 charge is annually reassessed, based on the total number of options expected to vest. The movement in cumulative expense is recognised in the profit and loss, with a corresponding entry to the share-based payment reserve. The Enterprise Management Incentive plan does not have any performance conditions attached whereas the Performance Share plan does.

The Performance Share plan contains the following elements:

Market based:
The grant date fair value granted takes into account the impact of any market conditions and does not take into account service and non-market conditions. The fair value is not adjusted for subsequent changes in the fair value and differences between estimated and actual outcome of market conditions. If a market condition is not met, then the share based payment cost is nevertheless recognised, assuming that all other vesting conditions are met and even though an employee would not be entitled to receive the share based payment.

Non-market based:
Recognition is initially based on the number of instruments for which any required non-market conditions are expected to be met. Subsequently, recognition of share based payment cost is trued-up for changes in estimates regarding the achievement of the conditions at each reporting date and at vesting date so that to reflect the number of instruments for which non-market conditions actually satisfied. If a non-market condition is not met, then no share based payment cost is recognised on cumulative basis and any previously recognised cost is reversed.

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. The carrying value of both the inventory and intangible assets are the key areas where significant judgement are required.

The areas of critical estimates include inventory valuation and impairment assessments and cost recognised relating to the R&D projects capitalised within intangible assets. Accounting judgements are applied in determining the carrying amounts of the following significant assets and liabilities:

Impairment of intangible assets	An impairment test is carried out annually and involves a significant level of judgement and estimates 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.
Costs recognised relating to R&D projects capitalised	The Group has to apply judgement in determining whether costs incurred on R&D projects should be capitalised within intangible assets or expensed. The Group has a policy of capitalising development costs as set out above. The judgement is based on the assessment of the nature of capitalised costs and the level of these costs are considered to be directly related based on the criteria set out above, including some of the salary costs. This includes a portion of directors' and employees' salaries as stated in the note 7.
Impairment of inventory	The directors consider the inventory being carried at a value of $2,888k to be an accurate reflection of its net realisable value. This assessment has been reached following the undertaking of an ageing analysis focused on when an item for a product line was last either sold or included in a rental kit. Inventory items which have not been sold or used for more than one year are the focus of the impairment assessment.
Recoverability of trade debtors	In assessing the recoverability of these assets, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

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 group is 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. Revenue is only generated by the selling activity.

At present, there is only one operating segment and the information presented to the board is consistent with the consolidated profit and loss statement and the consolidated statement of financial position.

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

<u>Revenues</u>

	31 March 2021 $ 000's	31 March 2020 $ 000's
United States of America	1,939	7,461
China	2,735	3,013
Holland	323	359
Rest of the world	81	70
Total Group revenue	5,078	10,903

	31 March 2021 *$ 000's*	31 March 2020 *$ 000's*
Contracts with customers	3,930	6,112
Operating lease income	1,148	4,791
Total Group revenue	5,078	10,903

<u>Net Assets</u>

	31 March 2021 *$ 000's*	31 March 2020 *$ 000's*
Europe (UK)	6,674	8,712
United States	9,302	7,999
Total Group net assets	15,976	16,711

<u>Non-current Assets</u>

	31 March 2021 *$ 000's*	31 March 2020 *$ 000's*
Europe (UK)	-	-
United States	4,168	3,567
Total Group non-current assets	4,168	3,567

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 (2020: 2). These customers contributed $ 2,088k, $1,020k and $572k respectively. (2020: $3,948k and $1,279k). No revenue relates to customers based in the UK (2020: none).

6. EXCEPTIONAL ITEMS

The exceptional items can be analysed as follows:

	31 March 2021	31 March 2020
	$ 000's	*$ 000's*
Write down of intangible assets *(note 12)*	-	4,192
Write down of inventory *(note 16)*	-	2,700
Aborted project costs incurred	147	296
Severance payments and other plant closure costs	397	98
Gain on sale of fixed assets	(455)	-
Other	(4)	-
Total exceptional items	85	7,286

The write down of inventory in 2020 has been classified as an exceptional item due to the nature of change in the oil and gas market resulting from both the impact of the COVID-19 and the reductions in the price of oil during March 2020.

7. EMPLOYEES AND DIRECTORS

	31 March 2021	31 March 2020
	$ 000's	$ 000's
Wages and salaries	1,267	3,849
Social security costs	106	222
Equity settled transactions – in lieu of emoluments	411	9
Equity settled transactions – share option and PSP charge	135	299
Pension and health costs	188	416
	2,107	4,795

During the year a total of $345k of the above salaries were capitalised as part of intangible assets (2020: nil).

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

	No.	No.
Directors	4	4
Senior management	1	2
Sales & marketing	1	2
Manufacturing & Technical	8	21
Finance & administration	2	2
	16	31

Directors' remuneration

	31 March 2021	31 March 2020
	$ 000's	$ 000's
Wages and salaries including social security costs	396	459
Equity settled transactions	411	381
Gains on LTIPs exercised	130	-
Pension and health costs	58	45
	995	885

Information regarding the highest paid director is as follows:

	$ 000's	$ 000's
Emoluments	463	501

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 20 to 22. During the year a total of $278k of these emoluments were capitalised as part of intangible assets (2020: nil).

Share plans
The Group has two schemes as set out below
Details of the share options outstanding at the end of the year are shown in note 20.

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 2021 $ 000's	31 March 2020 $ 000's
Interest earned on bank deposits	67	250

9. LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging/(crediting):

	31 March 2021 $ 000's	31 March 2020 $ 000's
Depreciation of tangible assets	1,111	3,412
Amortisation of intangible assets - ongoing	19	217
Amortisation of intangible assets - exceptional item	-	4,193
Auditors' remuneration:		
- Fees payable to the Company's auditor for the audit of the Company's and Group's annual accounts	76	88
- Tax compliance services	19	39
- Transaction advisory services	-	130
- Transaction related tax services	-	14
Share based payments (both schemes)	135	298
Foreign exchange gains	(78)	(37)
Gain on disposal of Property, Plant & Equipment	(455)	-

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 2021 $ 000's	31 March 2020 $ 000's
Loss on ordinary activities before tax	(1,109)	(7,838)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%):	(211)	(1,489)
Effects of:		
Items not subject to corporation tax	136	2,198
Tax losses to carry forward	75	(709)
R&D tax credit	46	-
Total income tax	46	-

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 $1.4m; United States $20.3m (2020: UK $0.5m; United States $21.0 NB: both these figures have been re-stated). There were no significant deferred tax liabilities. These tax losses have no expiry date. Tax losses for which no deferred tax balances have been recognised are disclose in Note 14.

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 $1,109k (31 March 2020: loss of $7,838k) by the weighted average number of ordinary shares in issue during the year of 67,065k (31 March 2020: 64,900k).

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 number of outstanding share options that are not included in the above figures are as follows:

	31 March 2021 000's	31 March 2020 000's
EMI plan	398	672
PSP plan	3,825	4,934
Total	4,223	5,606

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 2021: EPS	Earnings	Weighted average number of shares	Per-share amount
	$ 000's	*000's*	*US cents*
Loss attributable to ordinary shareholders	(1,109)	67,065	(1.7)

March 2020: EPS	Earnings	Weighted average number of shares	Per-share amount
	$ 000's	*000's*	*US cents*
Loss attributable to ordinary shareholders	(7,838)	64,900	(12.1)

During the year Enteq Upstream Plc did not pay any dividends (2020: nil).

12. INTANGIBLE ASSETS

Other Intangible Assets

	Developed technology *$ 000's*	IPR&D technology *$ 000's*	Brand names *$ 000's*	Customer relationships *$ 000's*	Total *$ 000's*
Cost:					
As at 1 April 2020	12,823	11,454	1,240	20,586	46,103
Capitalised in period	19	1,594	-	-	1,613
As at 31 March 2021	12,842	13,048	1,240	20,586	47,716
Amortisation/Impairment:					
As at 1 April 2020	12,823	11,320	1,240	20,586	45,969
Charge for the year	19	-	-	-	19
As at 31 March 2021	12,842	11,320	1,240	20,586	45,988
Net Book Value:					
As at 1 April 2020	-	134	-	-	134
As at 31 March 2021	-	1,728	-	-	1,728

	Developed technology $ 000's	IPR&D technology $ 000's	Brand names $ 000's	Customer relationships $ 000's	Total $ 000's
Cost:					
As at 1 April 2019	12,823	9,305	1,240	20,586	43,954
Capitalised in period	-	2,149	-	-	2,149
As at 31 March 2020	12,823	11,454	1,240	20,586	46,103
Amortisation/Impairment:					
As at 1 April 2019	12,626	7,108	1,240	20,586	41,560
Charge for the year	197	20	-	-	217
Impairment	-	4,192	-	-	4,192
As at 31 March 2020	12,823	11,320	1,240	20,586	45,969
Net Book Value:					
As at 1 April 2019	197	2,197	-	-	2,394
As at 31 March 2020	-	134	-	-	134

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 foreseeable future.

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.

Impairment

Due to the severe downturn in the price of oil seen since the start of March 2020, all intangible assets were assessed as to their future commercial viability. The conclusion was that only the development of the rotary steerable project, whose licence was obtained from Shell Global Solutions in September 2019, could be justified as having future economic value. As a consequence of this evaluation an impairment charge of $4,192k was recognised in the consolidated profit and loss statement for the year ended 31 March 2020.

There are now considered to be two cash generating units ("CGU") – see the accounting policy note on page 48.

The recoverable amount of each CGU is determined from value in use calculations both where the asset is currently or use or will be in the future. 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 2026. Cash flow forecasts are prepared from the most recent financial plans approved by the Board.

Currently the SABER project is in the development phase and has not generated any revenue. On the assumption that the SABER project is launched successfully, the longer-term forecast assumes annual growth rates between 5% and 3%. The remaining assets impairment test within the separate CGU assumes annual growth rates of 22% in the year up to March 2022, 69% in the year to March 2023, 58% in the year to March 2024, 25% in the year to March 2025, 20% in the year to March 2026, followed by 3% thereafter.

The pre-tax rate used to discount both cash flow forecasts is 12.8% (2020: 12.1%). Management have based this rate on the following factors: a Risk Free Rate of 2.3%; 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 comprise both externally procured services from specialist suppliers, which is shown at the purchase cost, and internally generated costs which is shown at the cash cost of the items acquired, primarily payroll related costs.

Amortisation

All categories of intangible assets, apart from the IPR&D technology, are being amortised over their respective useful lives, on a straight-line basis. The rotary steerable project will have its useful life assessed once the field trial have been completed which will give a better estimate of the useful of this asset.

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Production Equipment	Rental Fleet	Other Equipment	Total
	$000's	*$000's*	*$000's*	*$000's*	*$000's*	*$000's*
Cost:						
As at 1 April 2020	461	2,410	1,259	3,487	531	8,148
Additions	-	15	11	17	3	46
Transfers	-	-	-	18	-	18
Disposals	-	-	(1,111)	(3,505)	(242)	(4,858)
As at 31 March 2021	461	2,425	159	17	292	3,354
Depreciation:						
As at 1 April 2020	-	674	1,154	2,528	359	4,715
Charge for the year	-	101	41	932	37	1,111
Disposals	-	-	(1,088)	(3,451)	(205)	(4,744)
As at 31 March 2021	-	775	107	9	191	1,082
Net Book Value:						
As at 1 April 2020	461	1,736	105	959	172	3,433
As at 31 March 2021	461	1,650	52	8	101	2,272

	Land	Buildings	Production Equipment	Rental Fleet	Other Equipment	Total
	$000's	*$000's*	*$000's*	*$000's*	*$000's*	*$000's*
Cost:						
As at 1 April 2019	461	2,389	1,238	6,078	365	10,531
Additions	-	21	21	742	166	950
Disposals	-	-	-	(3,333)	-	(3,333)
As at 31 March 2020	461	2,410	1,259	3,487	531	8,148
Depreciation:						
As at 1 April 2019	-	565	1,126	2,630	315	4,636
Charge for the year	-	109	28	3,231	44	3,412
Disposals	-	-	-	(3,333)	-	(3,333)
As at 31 March 2020	-	674	1,154	2,528	359	4,715
Net Book Value:						
As at 1 April 2019	461	1,824	112	3,449	50	5,895
As at 31 March 2020	461	1,736	105	959	172	3,433

The depreciation of the rental fleet is being charged as an administrative expense as opposed to being shown within cost of sales.

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, there are unused tax losses in the UK of $1.4m (tax value of $0.3m at 19%) and in the US of $20.38m (tax value of $3.9m at 30%) (2020: UK $0.5m; US $31.0m), for which deferred tax assets have not been recognised.

15. TRADE AND OTHER RECEIVABLES

	31 March 2021	31 March 2020
	$000's	*$000's*
Trade receivables	2,381	1,770
Prepayments	141	173
Other receivables	51	82
	2,573	2,025

The above can be analysed as follows:

Non-current	168	-
Current	2,405	2,025
	2,573	2,025

The balance shown within trade receivables can be analysed as follows:

Relating to revenue from contracts with customers	1,571	1,770
Relating to revenue from operating leases	810	-
	2,381	1,770

The management believe that the carrying value is an approximation of fair value. The below includes disclosures relating to the credit risk exposures and analysis relating to the allowance for expected credit losses. Both the current and comparative impairment provisions apply the IFRS 9 expected loss model.

Bad debt provision	31 March 2021	31 March 2020
	$000's	*$000's*
As at 1 April	366	68
Charged to income statement arising from an entity's contracts with customers	56	366
Allowances used	-	(68)
As at 31 March	422	366

There were no impairment losses associated with revenue from operating leases.

16. INVENTORIES

	31 March 2021	31 March 2020
	$000's	*$000's*
Finished goods	2,758	2,356
Work in progress	66	536
Raw Materials	64	218
	2,888	3,110

The value of inventory recognised within cost of sales was $2,372k (2020: $4,256k). The 31 March 2021 balance includes a provision for slow moving stock of $3k (31 March 2020: $195k). There was an exceptional write down of $2,700k made in the year to 31 March 2020.

17. CASH AND CASH EQUIVALENTS

	31 March 2021 *$000's*	31 March 2020 *$000's*
Denominated in USD	7,798	9,074
Denominated in GBP	261	1,109
	8,059	10,183

18. CALLED UP SHARE CAPITAL

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

	Number 000's	*Share Capital $000's*	*Share Premium $000's*
As at 1 April 2020	65,489	1,027	91,579
Issued during the year	2,346	29	210
As at 1 March 2021	67,835	1,056	91,789

All shares issued carry the same voting rights.

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

19. TRADE AND OTHER PAYABLES

	31 March 2021 *$000's*	31 March 2020 *$000's*
Trade payables	627	727
Accrued expenses	537	1,256
Social security and other taxes	201	164
Other creditors	179	27
	1,544	2,174

Other creditors include customer deposits and US sales tax payable. The management believe the carrying value is an approximation of the fair value.

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 2021 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. Options are settled by the issue of new shares.

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

	31 March 2021		31 March 2020	
	Weighted average exercise price (pence)	*Number of options*	*Weighted average exercise price (pence)*	*Number of options*
Outstanding at the beginning of the period	15.8	672,000	21.0	658,500
Granted during the period	12.0	230,000	31.0	214,000
Exercised during the period	13.0	(164,500)	-	-
Forfeited during the period	23.5	(340,000)	25.1	(200,500)
Outstanding at the end of the period	20.2	397,500	15.8	672,000
Exercisable at the end of the period	16.2	132,500	13.0	257,000
Highest exercise price (p)	31.5		31.5	
Lowest exercise price (p)	13.0		13.0	

The weighted average remaining contractual life of all outstanding share options is 2,603 days (2020: 1,702 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:

Grant Date	*June 2020*
Fair value for option at grant date (pence)	4.6
Weighted average share price at date of grant (pence)	12.0
Weighted average exercise price	12.0
Expected volatility	50%
Option life	10 years
Risk free interest rate	2.5%

The expected volatility is based on the historic volatility. No dividends have been assumed.

During the year, a credit of $10k (2020: credit of $1k) 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 2021 *Number of options*	31 March 2020 *Number of options*
Outstanding at the beginning of the period	4,933,733	5,077,750
Granted during the period	1,808,889	1,430,245
Exercised during the period	(1,472,924)	(1,146,154)
Lapsed during the period	(1,444,560)	(428,108)
Outstanding at the end of the period	3,825,138	4,933,733
Exercisable at the end of the period	1,081,632	357,569

The weighted average remaining contractual life of all outstanding Performance Share Plan options is 3,062 days (2020: 1,981 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 grant made during the year were as follows:

Grant Date	*June 2020*
General	
Option price (pence)	1.0
Share price at date of grant	13.5
Expected volatility	50%
Risk free interest rate	2.5%
Option life	10 years
Market based conditions (TSR)	
Fair value for option at grant date (pence)	6.5
Non market based conditions (EBITDA)	
Option valuation	13.5

During the year a charge of $125k (2020: Charge of $299k) has been included within the income statement as a charge, for the above options.

The charge of $135k (2020: charge of $298k) shown in note 7 includes the 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 2021	Property	Equipment	Total
	$000's	*$000's*	$000's
Within one year	8	2	10
Within two to five years	-	6	6
	8	8	16

At 31 March 2020	Property	Equipment	Total
	$000's	*$000's*	$000's
Within one year	8	3	11
Within two to five years	-	7	7
	8	10	18

The lease expense during the year amounted to $29k (2020: $28k), 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 $1,148k (2020: $4,791k) included within revenue.

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 in the remuneration committee report for each of the categories specified in IAS 24: Related party disclosures.

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.

<u>Objectives, policies and procedures</u>
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

Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The group is exposed to credit risk from financial assets including cash and cash equivalents held at banks, trade and other receivables.

Credit risk management

The credit risk is managed on a group basis based on the Group's credit risk management policies and procedures. The credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits, and are only with major reputable financial institutions.

The Group continuously monitors the credit quality of customers based on a credit rating scorecard. Where available, external credit ratings and/or reports on customers are obtained and used. The group's policy is to deal only with credit worthy counterparties. The credit terms range between 30 and 90 days. The credit terms for customers as negotiated with customers are subject to an internal approval process which considers the credit rating scorecard. The ongoing credit risk is managed through regular review of ageing analysis, together with credit limits per customer.

Trade receivables consist of a large number of customers in various industries and geographical areas.

Security

The Group does not hold any security on the trade receivables balance. In addition, the group does not hold collateral relating to other financial assets (e.g. derivative assets, cash and cash equivalents held with banks).

Trade receivables

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

As the Group has so few customers with significant outstanding receivable balances the expected credit losses can be assessed on an individual customer by customer basis.

The expected loss rates are based on the payment profile for sales over the past 48 months before 31 March 2021 and 1 April respectively as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. On this basis the expected loss associated with the outstanding unprovided trade debtor balances for is not material.

Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

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 $81k 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 year ending 31 March 2021.

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 IFRS9 categories:

31 March 2021

	Financial liabilities at amortised cost	*Non-Financial Liabilities*	*Total for Statement of Financial Position heading*
	$000	*$000*	*$000*
Statement of Financial Position headings – liabilities			
Trade payables	627	-	627
Social security and other taxes	-	201	201
Other creditors	179	-	179
Accrued expenses	537	-	537
Total	1,343	201	1,544

	Financial assets at amortised cost	*Non-Financial Assets*	*Total for Statement of Financial Position heading*
	$000	*$000*	*$000*
Statement of Financial Position headings – assets			
Trade receivables	2,381	-	2,381
Prepayments	-	141	141
Other receivables	51	-	51
Cash and cash equivalents	8,059	-	8,059
Total	10,491	141	10,632

31 March 2020

	Financial liabilities at amortised cost	*Non-Financial Liabilities*	*Total for Statement of Financial Position heading*
	$000	*$000*	*$000*
Statement of Financial Position headings – liabilities			
Trade payables	727	-	727
Social security and other taxes	-	164	164
Other creditors	27	-	27
Accrued expenses	1,256	-	1,256
Total	2,010	164	2,174

	Financial assets at amortised cost	*Non-Financial Assets*	*Total for Statement of Financial Position heading*
	$000	*$000*	*$000*
Statement of Financial Position headings – assets			
Trade receivables	1,770	-	1,770
Prepayments	-	173	173
Other receivables	82	-	82
Cash and cash equivalents	10,183	-	10,183
Total	12,035	173	12,208

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	3 to 12 months	12 to 18 months
	$000's	*$000's*	*$000's*
31 March 2021	1,472	-	-
31 March 2020	2,174	-	-

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

There have been no reportable events between 31 March 2021 and the date of signing these accounts.

Enteq Upstream Plc

Company Statement of Financial Position

	Notes	31 March 2021 $ 000's	31 March 2020 $ 000's
Fixed assets			
Tangible Assets	3	-	-
Investments in subsidiaries	4	-	-
		-	-
Current assets			
Trade and other receivables: amounts falling due within one year	5	2,678	175
Trade and other receivables: amounts falling due after one year	7	6,828	8,000
Cash at bank and in hand	6	7,271	9,530
Total assets		16,777	17,705
Creditors: amounts falling due within one year			
Trade and other payables	8	(801)	(996)
Total net assets		**15,976**	**16,709**
Capital and reserves			
Called up share capital	9	1,056	1,027
Share premium account	9	91,789	91,579
Share based payment reserve		455	1,048
Retained earnings		(77,324)	(76,945)
Total equity		**15,976**	**16,709**

The balance sheet takes into consideration the CA 2006 s408 exemption. The parent Company's loss for the financial year was $1,107k (2020: loss of $16,635k). The financial statements were approved by the Board of Directors on 6 July 2021 and were signed on its behalf by:

David Steel

Director

The accounting policies and notes on pages 66 to 70 form part of these financial statements.

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*
As at 1 April 2020	**1,027**	**(76,945)**	**91,579**	**1,048**	**16,709**
Issue of share capital	29	-	210	-	239
Transfer between reserves	-	728	-	(728)	-
Share based payment charge	-	-	-	135	135
Transactions with owners	29	728	210	(593)	374
Loss for the period	-	(1,107)	-	-	(1,107)
Other comprehensive expense for the year	-	-	-	-	-
Total comprehensive income	-	(1,107)	-	-	(1,107)
Total movement	29	(379)	210	(593)	(733)
As at 31 March 2021	**1,056**	**(77,324)**	**91,789**	**455**	**15,976**

	Called up share capital *$ 000's*	Retained earnings *$ 000's*	Share Premium *$ 000's*	Share based payment reserve *$ 000's*	Total equity *$ 000's*
As at 1 April 2019	**1,005**	**(60,310)**	**91,398**	**750**	**32,843**
Issue of share capital	22	-	181	-	203
Share based payment charge	-	-	-	298	298
Transactions with owners	22	-	181	298	501
Loss for the period	-	(16,635)	-	-	(16,635)
Other comprehensive expense for the year	-	-	-	-	-
Total comprehensive income	-	(16,635)	-	-	(16,635)
Total movement	22	(16,635)	181	298	(16,134)
As at 31 March 2020	**1,027**	**(76,945)**	**91,579**	**1,048**	**16,709**

The accounting policies and notes on pages 66 to 70 form part of these financial statements.

Notes to the Company Statement of Financial Position

For the year to 31 March 2021

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 4.

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 68.

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;
- Presentation of a cashflow statement;
- 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).

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. The ability of the group entity to repay their respective balances are reviewed at the end of each reporting period and the appropriate impairment recognised. As the only balance is with Enteq Upstream USA Inc. this impairment review is based on the ability of this entity to generate cash in both the short and medium term.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset ("stage 1"), twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised ("stage 2"). For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised ("stage 3").

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. 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 and is at the total discretion of the Remuneration Committee.

2. LOSS 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 loss for financial year was $1,107k (2020: loss of $16,635k).

3. TANGIBLE FIXED ASSETS

	Computer equipment	Office equipment	Total
	$000's	*$000's*	*$000's*
Cost:			
As at 1 April 2020 and 31 March 2021	10	5	15
Depreciation:			
As at 1 April 2020 and 31 March 2021	10	5	15
Net Book Value:			
As at 1 April 2020 and 31 March 2021	-	-	-

4. INVESTMENTS

	Shares in Group undertakings *$000's*
Cost	
As at 1 April 2020 and 31 March 2021	23,285
Impairment	
As at 1 April 2020 and 31 March 2021	23,285
Net book value	
As at 1 April 2020 and 31 March 2021	-

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%
Jeteq Drilling Limited	England & Wales	Dormant	100%

5. DEBTORS

Amounts falling due within one year:	31 March 2021 *$000's*	31 March 2020 *$000's*
Amounts owed by Group undertakings:		
Gross amount owed	23,224	20,679
Provision	(20,679)	(20,679)
	2,545	-
Prepayments	82	94
Accrued interest receivable	3	74
VAT recoverable	48	7
	2,678	175

The management believe that the carrying value is an approximation of fair value. A carrying value exercise has been conducted at the year end that shows that the net receivable from group undertakings is held at the appropriate value. The directors review the intercompany receivables and loans on a regular basis, together with the associated cash flows of each company, and assess under the expected credit loss (ECL) model as required by IFRS 9.

6. CASH AT BANK AND IN HAND

	31 March 2021 *$000's*	31 March 2020 *$000's*
Denominated in USD	7,009	8,421
Denominated in GBP	262	1,109
	7,271	9,530

7. INTER-COMPANY LOAN NOTES

	31 March 2021	31 March 2020
	$000's	*$000's*
Receivable from Enteq Upstream USA Inc:		
As at 1 April	37,928	37,928
Provision relating to the above	(31,100)	(29,928)
As at 31 March	6,828	8,000

The intercompany loans are charged at interest rates 3.28%. The loans are repayable at the lenders discretion either quarterly on 31 March, 30 June, 30 September and 31 December each year or by the end of the term of the loan which is 18 May 2027. The intercompany loans at present are considered to be in stage 2, and have been assessed as indicated in the IFRS 9 ECL model. As the loans are considered to be in stage 2 a lifetime ECL is determined using all relevant, reasonable and supportable historical, current and forward-looking information that provides evidence about the risk that the subsidiaries will default on the loan and the amount of losses that would arise as a result of that default. Several scenarios and their likelihood have been considered to calculate the expected cash flows for the loans and the expected credit losses as at the reporting date. The intercompany receivable are interest free and on demand and are considered to be in stage 3 and thus a lifetime ECL was applied.

8. CREDITORS

	31 March 2021	31 March 2020
	$000's	*$000's*
Accrued expenses	465	669
Trade payables	310	291
Social security and other taxes	26	36
Other creditors	-	-
	801	996

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

9. CALLED UP SHARE CAPITAL

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

	Number	*Share Capital*	*Share Premium*
	000's	*$000's*	*$000's*
As at 1 April 2020	65,489	1,027	91,579
Issued during the year	2,346	29	210
As at 1 March 2021	67,835	1,056	91,789

All shares issued carry the same voting rights.

10. RELATED PARTY DISCLOSURES

Details of directors' remuneration and other transactions are set out on pages 20 to 22.

11. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.