

# ***ENTEQ TECHNOLOGIES PLC***

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***ANNUAL REPORT***

***FOR THE YEAR TO 31 MARCH 2023***

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## Key features, Financial Metrics and Outlook

### Key features

- Total revenue \$6.2m (\$7.3m for year ended 31 Mar 2022)
- Cash balance increased to \$5.4m (2022: \$4.8m)
- Sale of Real Estate facility in Houston for \$2.5m
- Post year-end sale of XXT intellectual property and assets for up to \$3.16m (Initial cash consideration of c.\$1.89m plus up to c.\$1.27m to be paid in cash over a 12-month period).
- Continued investment in SABER project (\$2.6m)
- The SABER Tool (SABER), successfully completed downhole drilling testing, with the system proven to be effective in an operational environment.

### Financial metrics

#### Years ended 31 March (\$m):

	2023		2022	
	Continued operations	Discontinued operations	Continued operations	Discontinued operations
Revenue	0.0	6.2	0.0	7.3
Gross profit margin	0.0	23%	0.0	36%
Underlying overheads **	(1.5)	(1.1)	(1.3)	(1.0)
Adjusted EBITDA	(1.5)	0.3	(1.3)	1.6
Exceptional items	0.0	(0.5)	0.0	0.0
Total post tax profit/(loss)*	(1.4)	(1.4)	(1.6)	0.8
Post tax profit/(loss) per share (cents)	(2.0)	(2.0)	(2.2)	1.1
Cash balance <sup>3</sup>	5.4	0.0	4.8	0.0
Investment in engineering projects	2.6	0.0	2.7	0.0

\*prior to intercompany interest charges

\*\*all central costs allocated to the continued operation

### Outlook

- Ongoing investment in the development and deployment of technologies with significantly enhanced market size and differentiation.
- Emphasis on maintaining a strong balance sheet.

<sup>1</sup> The reconciliation between Underlying overheads and Administrative expenses before amortisation is follows:

	Year to 31 March 2023	Year to 31 March 2022
	\$m	\$m
Total underlying overheads	2.6	2.3
Depreciation - fixed assets	0.2	0.2
Depreciation - rental fleet	0.6	0.5
PSP Share charge	0.2	0.2
Administrative expenses before amortisation	8.6	3.2

<sup>2</sup> The reconciliation between Loss attributable to shareholders and Adjusted EBITDA is follows:

	Year to 31 March 2023	Year to 31 March 2022
	\$m	\$m
Loss attributable to shareholders	(2.8)	(0.8)
Exceptional items	0.5	-
Amortisation	0.4	0.2
Depreciation - fixed assets	0.2	0.2
Depreciation - rental fleet	0.6	0.5
PSP Share charge	0.2	0.2
Tax	(0.3)	-
Interest	-	-
Adjusted EBITDA	(1.2)	0.3

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.

<sup>3</sup> The cash balance includes:

	Year to 31 March 2023	Year to 31 March 2022
	\$m	\$m
Cash and cash equivalents	5.4	3.3
Bank deposits	-	1.5
Cash balance	5.4	4.8

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# Company Information

For the year to 31 March 2023

## **DIRECTORS:**

### Chairman

Martin Perry

### Executive Directors

Andrew Law	<i>Chief Executive Officer</i>
David Steel (resigned 16th June 2023)	<i>Chief Finance Officer</i>
Mark Ritchie (appointed 16th June 2023)	<i>Chief Finance Officer</i>

### Non-Executive Director

Neil Hartley	<i>Chairman of the Remuneration and Audit Committees</i>
Iain Paterson	<i>Chairman of Nomination Committee</i>

## **SECRETARY**

David Steel (resigned 16th June 2023)  
Mark Ritchie (appointed 16th June 2023)

## **REGISTERED OFFICE**

The Courtyard  
High Street  
Ascot  
Berkshire  
SL5 7HP

## **REGISTERED NUMBER**

07590845 (England and Wales)

## **AUDITORS**

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Registered Auditors  
Finsgate, 5-7 Cranwood Street  
London  
EC1V 9EE

## **NOMINATED ADVISER & BROKER**

Cavendish Capital Markets Limited  
1 Bartholomew Close  
London  
EC1A 7BL

## **LEGAL ADVISORS**

CMS Cameron McKenna Nabarro Olswang LLP  
Cannon Place  
78 Cannon Street  
London  
EC4N 6AF

## **REGISTRARS**

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol BS99 6ZZ

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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 develops and provides downhole electronics and technologies for measurement, data and control, which are used by the geothermal, methane capture, oil and gas sectors around the world.

Specialist directional technologies, including Rotary Steerable Systems (RSS) and Measurement While Drilling (MWD) are used by service companies around the world who either purchase or rent equipment from third parties such as Enteq or develop systems themselves.

The international RSS market is the target for new Enteq technology and is currently estimated at over \$2bn annually.

Enteq has a proven track record of providing extremely reliable and respected technology to regional and independent service companies globally. Enteq is commercialising game-changing technologies to deliver improvements in efficiency, operating cost and reduced environmental impact in drilling. Enteq's SABER technology is a novel RSS originated by Shell and subsequently developed by Enteq under an exclusive IP and technology license agreement.

Enteq now has a rented operations facility in Houston, (having sold a free-hold in year-ending March 2023) and a technology centre in the UK. International business is supported through a network of sales team representatives.

Enteq plans to maximise growth through the commercialisation of SABER and associated technologies in the substantial (over \$5bn) global directional drilling market.

#### Sale of XXT

The sale is a result of a strategic focus to improve the Company's medium term cash position to underpin investment in product line development, primarily the deployment of SABER, the rotary steerable drilling solution.

The XXT intellectual property (previously amortised over time to a book value of nil) and associated product lines and trademark, together with selected technology agreements, customer account receivable balances, and inventory have been sold for a cash consideration of c.\$1.89m; further selected customer account receivables and inventory have also been sold for up to c.\$1.27m to be paid in cash over a 12 month period.

The disposal reflects Enteq's focus on differentiated specialist MWD technologies, and the rotary steerable sector (SABER) where there is a larger addressable market.

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## Review of the Year

This year has been one of increasing the focus on the SABER technology development project, resulting in a critical milestone being successfully accomplished.

The SABER development project has progressed well during the year with the most important milestone being the successful completion of downhole drilling testing, proving that the unique concept underpinning SABER can steer effectively in operational conditions. A simplified design of the SABER control system was implemented during the year, to widen the operating range and to improve operating effectiveness.

Continued customer and industry engagement on the SABER project confirmed there is a high degree of appetite for this technology. SABER remains on-track for commercialisation during 2023, with existing resources in place to complete the remaining phase of the development project.

As a result of a strategic focus to improve the Company's cash position to underpin investment in the development of SABER, Enteq sold the freehold property in South Houston for \$2.5m and sold the XXT intellectual property and associated assets for an initial cash consideration of \$1.89m (with selected account receivables and inventory for up to c.\$1.27m to be paid in cash over a 12-month period).

As significant overhead reductions were made in recent years, the underlying overheads have remained steady in comparison to the previous year.

The year's financial results are fully explained in the Financial Review of pages 9 to 11.

### Staff

There was a total of 13 employees at the end of the year, down from the 16 at the previous year end. The Board would like to recognise the on-going loyalty, dedication and support of the staff as Enteq continues with its excellent reputation for the reliability of equipment and commitment to customer support.

### 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:

- Progression of technology development
- 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 24.

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## 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 reputation 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:

- Continuing to review the Board's response to Russia's invasion of Ukraine
- 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.
- Reviewing of the skill set within the SABER team to maximise the chances of successfully introducing 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 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.

### 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 prevailing 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.



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### **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 of the current team making a meaningful contribution 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.; and
- contribution of excess furniture and office equipment to local church and charity organisations.

### **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**

Enteq has continued investment in the SABER RSS project development, having achieved successful downhole drilling field test performance, to significantly reduce the technical risk. Sustained testing has confirmed that the system has performed to the design criteria and met all requirements to date.

Continued engineering of the project has resulted in an enhanced, simplified design with a wider range of operation and a low cost to operate.

Extensive industry engagement with existing and new customers and partners, both internationally and across North America, has confirmed that SABER is on-track to meeting the market requirements.

### **Martin Perry**

Chairman

### **Andrew Law**

Chief Executive officer

29 September 2023

## Financial Review

### Income Statement

This is a pro-forma statement which is different in presentation to the statutory format shown on page 34.

Year to 31 March:	<i>Continued</i>	<i>Discontinued</i>	<i>Continued</i>	<i>Discontinued</i>
	2023	2023	2022	2022
	<i>\$ million</i>	<i>\$ million</i>	<i>\$ million</i>	<i>\$ million</i>
<b>Revenue</b>	<b>0.0</b>	<b>6.2</b>	<b>0.0</b>	<b>7.3</b>
Cost of Sales	0.0	(4.8)	0.0	(4.7)
<b>Gross profit</b>	<b>0.0</b>	<b>1.4</b>	<b>0.0</b>	<b>2.6</b>
Overheads	(1.5)	(1.1)	(1.3)	(1.0)
<b>Adjusted EBITDA</b>	<b>(1.5)</b>	<b>0.3</b>	<b>(1.3)</b>	<b>1.6</b>
Depreciation & amortisation	0.0	(1.2)	0.0	(0.8)
Other charges	(0.2)	0.0	(0.3)	0.0
<b>Ongoing operating loss</b>	<b>1.7</b>	<b>(0.9)</b>	<b>(1.6)</b>	<b>0.8</b>
Exceptional items	(0.0)	(0.5)	0.0	0.0
<b>Operating Loss</b>	<b>(1.7)</b>	<b>(1.4)</b>	<b>(1.6)</b>	<b>0.8</b>
Interest	-	-	-	-
<b>Loss before tax</b>	<b>(1.7)</b>	<b>(1.4)</b>	<b>(1.6)</b>	<b>0.8</b>
Tax	0.3	0.0	-	-
<b>Loss after tax</b>	<b>(1.4)</b>	<b>(1.4)</b>	<b>(1.6)</b>	<b>0.8</b>

The North American market saw a steady increase during the year with the rig count rising from 673 as at 31 March 2022 to 758 as at 31 March 2023, an increase of 85 (13%). This compares to an increase 243 (57%) in the previous year. This was against a background of the price of a barrel of WTI falling during the year to 31 March 2023 from \$104 to \$73 compared to a rise from \$64 as of 31 March 2022. The oil price was at levels during the year under review to be profitable for the operating companies that require the services of Enteq's customers.

North American revenue was steady at \$5.8m compared to the \$6.2m reported last year. The North American revenue was largely driven by demand for specific third-party technologies, with revenues deliberately controlled by the Company to maintain working capital efficiency. The international market continued to experience challenges of capital availability, with international revenue at \$0.4m, down from the \$1.1m reported last year.

The full year gross margin was 23%, down from last year's 36%, due to an increasing proportion of revenue coming from the third party components mentioned above.

Total underlying overheads, at \$2.6m, (2022: \$2.3m). This reflected the concentration on reducing all levels of overheads in previous years without impacting the level of customer support given.

The combined depreciation and amortisation charge was up on the previous year due to an increased level of amortisation on previously capitalised software enhancements plus a higher level of depreciation on both the rental fleet and the underlying assets.

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

## Statement of Financial Position

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

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

<b>As at 31 March:</b>	<i>2023</i>	<i>2022</i>
	<i>\$million</i>	<i>\$million</i>
Intangible assets	6.4	4.1
Property, plant & equipment	0.1	2.2
Rental fleet	-	0.3
Net working capital	(1.0)	4.1
Assets held for sale	2.2	-
Cash balance	5.4	4.8
<b>Net assets</b>	<b>13.1</b>	<b>15.5</b>

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

The net book value of property, plant & equipment at \$0.1m is \$2.1m down primarily due to sale of the freehold Houston site plus the annual depreciation charge.

The reduction in net book value of the rental fleet reflects the disposal of all the rental kits during the year.

The net working capital of \$(1.0m) has decreased by \$5.1m during the year. This is primarily due to a decrease in all major components; debtors down by \$2.6m; inventory down \$2.4m countered by creditors down \$0.6m. All these movements relate to the strategic decision to move away from the lower margin MWD market and no longer offering extended credit terms to the major customers.

## Cash flows

This is a pro-forma statement which is different in presentation to the statutory format shown on page 38.

Overall, the Group saw a net cash inflow of \$0.6m (2022: outflow of \$3.3m) increasing the Group's closing cash balance as at 31 March 2023 to \$5.4m. The major elements of the non-operational cashflow relates to the \$3.0m of on-going investment in the engineering projects, primarily the SABER tool and the disposal of the freehold Houston site for a net \$2.3m.

<b>Year to 31 March:</b>	<i>2023</i>	<i>2022</i>
	<i>\$ million</i>	<i>\$ million</i>
<b>Adjusted EBITDA</b>	<b>(2.0)</b>	<b>0.3</b>
Change in net operational working capital	2.9	(0.2)
<b>Operational cash generated</b>	<b>0.9</b>	<b>0.1</b>
Net investment in rental fleet	-	(0.8)
Investment in engineering projects	(2.6)	(2.7)
Investment in fixed assets	-	(0.1)
Interest and share issues	-	0.2
Disposal of fixed assets	2.3	-
<b>Net cash movement</b>	<b>0.6</b>	<b>(3.3)</b>
Opening cash balances	4.8	8.1
<b>Closing cash balance</b>	<b>5.4</b>	<b>4.8</b>

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## **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 \$5.4m as at 31 March 2023 (\$4.8m as at 31<sup>st</sup> March 2022).

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 5% of last year's balance.

## **Annual General Meeting**

The Company's Annual General Meeting will be held on 29 September 2023 at 11am at the offices of Cavendish Capital Markets, 1 Bartholomew Close, London, EC1A 7BL.

## **Mark Ritchie**

Chief Financial Officer

29 September 2023

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## Review of Principal Risks and Uncertainties

The Board is responsible for the Group's risk management and during each year undertakes 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 April 2023. 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 drilling sector.

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 price of oil both during the year under review and up until the date of this report has remained above previous year's levels which has resulted in a reduced concern regarding this particular area of risk.

Summary: The risk has reduced both in the year to 31 March 2023 and up to the date of the signing of these accounts.

#### **Geopolitical risks in Central Europe**

Following the Russian invasion of Ukraine, the Board decided to cease trading with any Russian company or sell to any other company that may deploy Enteq's equipment in Russia.

Summary: As the level of revenue derived from Russia was insignificant there has been no major financial impact on Enteq's business.

#### **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.

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: The risk relating to the North American and international markets has reduced both in the year to 31 March 2023 and up to the date of the signing of these accounts.

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## **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 where the market demand conditions are expected to be more attractive than the MWD sector.

### **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 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 this risk remains manageable.

### **Dependence on key customers**

The Group has been dependent on a relatively small number of key customers, however with the introduction of SABER, this is expected to broaden the potential customer base.

Summary: Due to the actions taken during the year there, has been a reduction in this risk.

### **Cash balances**

A number of actions were taken during and after the financial year to increase the cash balances. The level of the Group's cash balance gives the Board comfort as to the future viability of the Group. The majority of cash is held in deposit accounts in USD.

Summary: Due to the actions taken, there has been no change in this 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.

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### **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 to March 2021. The review found no major security issues requiring management action.

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

The Strategic Report set out on pages 5 to 8 was approved by the Board of Directors on 29 September 2023 and signed on its behalf by:

**Andrew Law**

Chief Executive Officer

29 September 2023

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## Environmental, Social and Governance report to 31 March 2023

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 through 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 2023, the Group had 13 employees (2022:16).

The Group continually looks to improve its structures to ensure that all aspects relating to employment, training, career development and promotion of disabled persons are 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.



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

During the year, there were no fatalities across the Group's operations with no reportable incidents (2022: none).

## **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.

## **Mark Ritchie**

Company Secretary

29 September 2023

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## Report of the Directors

*For the year to 31 March 2023*

The directors present their report with the financial statements of the Group and the Company for the year to 31 March 2023.

### **DIRECTORS**

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

**Andrew Law** *Chief Executive Officer*

Andrew Law (48), 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.

**Mark Ritchie** *Chief Finance Officer (appointed 16<sup>th</sup> June 2023)*

Mark Ritchie (44) is an associate member of the Chartered Institute of Management Accountants and has over 20 years' financial experience, ten years of which have been spent in Board level roles in private equity backed businesses. He most recently held the role of Finance and Support Services Director in PE backed construction business and prior to that was Group Finance and IT Director of a PE backed oil and gas services business.

**David Steel** *Chief Finance Officer (resigned 16<sup>th</sup> June 2023)*

David Steel (63), 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 Technologies oil and gas industry.

**Martin Perry** *Non-Executive Chairman*

Martin Perry (61), 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 (76), 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 (57), currently with Buckthorn Partners LLP, a global private equity investment firm exclusively focused on energy transition. He has held senior positions with McKinsey & Company and Simmons & Company International. Neil chairs both the Company's Audit and Remuneration Committees.

There is no requirement to re-appoint any of the directors until the AGM to be held in September 2023.

### **Dividends**

No dividends will be distributed for the year ended 31 March 2023 (year ended 31 March 2022: nil).

### **Post Balance Sheet Events**

On 11 April 2023 the Company sold various assets relating to the MWD division. Full details are given in Note 28.

### **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.

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### **Risks and uncertainties**

A review of the key risks and uncertainties affecting the Group is set out on pages 12 to 14. The Group's exposure to key financial risks is set out in note 26 to the financial statements, see page 64.

### **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 29 September, 2023 at 1 Bartholomew Close, London, EC1A 7BL commencing at 11am. 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 2023, there were 69,724,006 Ordinary shares. The movements in share capital during the year are set out in note 17.

### **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.

### **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](http://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.

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### **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 UK adopted 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 2023 the Group has cash balances of \$5.4m (\$4.8m year ended 31<sup>st</sup> March 2022) and no debt. Accordingly, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and consequently have adopted the going concern basis of accounting in preparing these financial statements. Further information on the way the going concern review was conducted is set out in note 4 in the notes to the financial statements which can be found on page 38.

### **Auditors**

During the year BDO LLP resigned as auditors with Gravita Audit Ltd. appointed in their place. Gravita 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,

**Mark Ritchie**

Company Secretary

29 September 2023

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# Remuneration Committee Report

*For the year to 31 March 2023*

## **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 chairman and 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 2023, 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 effect 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 note 19.

### 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 6 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 2023 were as follows (all salaries denominated in £ Sterling have been converted to US dollars):

	Annual Remuneration 31 March 2023	Annual Remuneration 31 March 2022
	\$ 000's	\$ 000's
Andrew Law	327	329
David Steel	269	319
<b>Total - Executive</b>	<b>596</b>	<b>648</b>
Martin Perry	56	243
Iain Paterson	56	54
Neil Hartley	56	54
<b>Total – Non executive</b>	<b>168</b>	<b>351</b>
<b>Total <sup>2</sup></b>	<b>764</b>	<b>999</b>

<sup>2</sup> Includes the following:

	31 March 2023	31 March 2022
<i>Martin Perry</i>		
Pension contribution	-	-
Gains on LTIPs exercised	-	58
<i>Andrew Law</i>		
Pension contribution	18	18
Gains on LTIPs exercised	-	-
<i>David Steel</i>		
Pension contribution	15	24
Gains on LTIPs exercised	-	30

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 elements settled in shares:

	31 March 2023 \$ 000's	31 March 2022 \$ 000's
Andrew Law	200	91
David Steel	121	105
<b>Total - Executive</b>	<b>321</b>	<b>196</b>
Martin Perry	35	101
Iain Paterson	25	14
Neil Hartley	25	14
<b>Total – Non executive</b>	<b>85</b>	<b>129</b>
<b>Total</b>	<b>406</b>	<b>325</b>

No shares were issued during the year (2022: \$146k).

<b>Interests in PSP options</b>	<u>Number of PSP Options at 31/3/23</u>	<u>Number of PSP Options at 31/3/22</u>	<u>Vesting dates</u>
Martin Perry	-	495,629	June 2022
Andrew Law	-	184,091	June 2022
David Steel	-	254,895	June 2022
Martin Perry	959,259	959,259	June 2023
Andrew Law	356,296	356,296	June 2023
Andrew Law	500,000	500,000	April 2023
David Steel	493,333	493,333	June 2023
Andrew Law	633,803	633,803	June 2024
David Steel	522,254	522,254	June 2024
Andrew Law	775,862	-	June 2025
David Steel	639,310	-	June 2025
<b>Total</b>	<b>4,880,117</b>	<b>4,399,560</b>	

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

<u>Vesting Date:</u>	<u>June 2023</u>	<u>June 2023</u>	<u>June 2024</u>	<u>June 2025</u>
Proportion awarded for compound annual growth rate in Total Shareholder Return (“TSR”) <sup>1</sup> of:				
30% or greater	100%	100%	100%	100%
10%	33%	33%	33%	33%
Less than 10%	0%	0%	0%	0%
Proportion awarded for adjusted Maximum of range achieved	100%	100%	100%	100%
Minimum of range achieved	33%	33%	33%	33%
Weighting:				
TSR (share price) growth	50%	50%	50%	50%
Adjusted EBITDA	50%	50%	50%	50%
Start point:				
TSR (share price) growth	13.5p	17.2p	17.8p	14.5p
Adjusted EBITDA range <sup>2</sup>	\$1.6m to \$2.2m	\$3.1m to \$4.3m	\$13.3m to \$9.8m	\$67.7m to \$49.6m

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.

<sup>1</sup> 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.

<sup>2</sup> For the three years starting 1 April in the year the awards are granted.

There were no gains made on the exercise of the options made during the year to 31 March 2023 (31 March 2022: \$88k).

#### **Interests in warrants**

There were no interests held by directors or persons connected to the directors in warrants over shares in Enteq Technologies Plc at 31 March 2023 (2022: none).

#### **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.

#### **Directors and their interests in ordinary shares**

The Directors of the Company held the following interest in the ordinary shares of Enteq Technologies Plc:

<b>Name</b>	<b>% 31st March 2023</b>	<b>Number 31- March-2023</b>	<b>Number 31- March-2022</b>
Andrew Law	2.38	1,660,512	1,077,403
David Steel	3.50	2,438,745	2,149,756
Iain Paterson	0.86	600,241	572,460
Martin Perry	6.59	4,596,600	4,568,810
Neil Hartley	0.12	88,549	59,770

### **Substantial shareholding**

The Company is aware that the following had an interest of 3% or more in the issued ordinary share capital of the Company:

<b>Rank</b>	<b>Shareholder</b>	<b>Number of shares as at 31 March 2023</b>	<b>% at 31- Mar-2023</b>	<b>Number of shares as at 30 June 2023</b>	<b>% at 30- Jun-2023</b>
1	Premier Miton Investors	11,798,766	16.92	11,798,766	16.71
2	Directors	9,380,647	13.45	10,270,780	14.54
	Canaccord Genuity Wealth Management (Inst)				12.46
3		8,800,000	12.62	8,800,000	
4	Allianz Global Investors	6,150,000	8.82	6,150,000	8.71
5	Killik, stockbrokers	2,634,824	3.78	2,634,824	3.73
6	Parkinson Family	2,220,000	3.18	2,220,000	3.14
7	Individuals	2,151,076	3.09	2,001,076	2.83
	Columbia Threadneedle Investments				2.84
8		2,008,642	2.88	2,008,642	
9	Interactive Investor (EO)	1,896,950	2.72	1,976,266	2.80
10	Hark Private Trust	1,838,886	2.64	1,838,886	2.60

### **Neil Hartley**

Chairman of the Remuneration Committee

29 September 2023



## Corporate Governance Report to 31 March 2023

This report for shareholders sets out Enteq Technologies 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 Technologies 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	<i>Member</i>	-	-	-
Mark Ritchie	Chief Financial Officer	<i>Member</i>	-	-	-
Martin Perry	Non-Executive Chairman	<i>Chairman</i>	<i>Member</i>	<i>Member</i>	<i>Member</i>
Iain Paterson	Non-Executive Director	<i>Member</i>	<i>Member</i>	<i>Member</i>	<i>Chairman</i>
Neil Hartley	Non-Executive Director	<i>Member</i>	<i>Chairman</i>	<i>Chairman</i>	<i>Member</i>

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

In the year under review the Board formally met on 10 scheduled occasions. 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. The Board considers that the Audit Committee members have the skills necessary to fulfil their duties. In addition, financial advice is available externally as and when they require it. The committee has met three times during the year under review.

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

*External audit*

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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.

The committee closely monitors fees paid to the auditors in respect of non-audit services, which are analysed within note 8 on page 51. In 2023, there were audit fees of \$74k with no non-audit services provided. 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 once 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. There was no requirement for the Committee to meet during the year under review.

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.

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## 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 Technologies 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 2022.
- 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 and Year End 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 to 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 2022 year end briefings held with staff; Monthly health and safety meetings held with reports noted at each Board meeting.

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- 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 in June 2023.
  - 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: No training courses and seminars were attended.
  - 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 in June 2023.
  - 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 three 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.

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- 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.

**Mark Ritchie**

Company Secretary

29 September 2023

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# Independent auditor's Report to the Members of Enteq Technologies Plc

## Opinion

We have audited the financial statements of Enteq Technologies Plc (the "Parent Company") and its subsidiaries (the Group") for the year ended 31 March 2023 which comprise of the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, the company statement of financial position and 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 UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Generally Accepted Accounting Practice.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the Group and Parent Company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

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

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

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included reviews of expected cash flows for a period of 12 months, to determine expected cash outflow, which was compared to the liquid assets held in the Group.

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 the 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.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) 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. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p><b>Intangible assets</b></p> <p>The carrying value of the Group’s intellectual property assets, at cost, as at 31 March 2023 amounted to \$6,484,000 (2022: \$4,413,000). The additions during the year were \$£2,639,000 (2021: \$2,614,000).</p> <p>The amortisation during the year relates to Fusion which has been fully amortised as at year end. The cost of the remaining intangible assets relate to Saber and amortisation will start once the assets are available for use.</p> <p>The risk is that the costs may not qualify for capitalisation or technological advancements may render the market value of the capitalised costs below its carrying value.</p> <p>The Directors have assessed whether the costs meet the criteria for capitalisation and whether there are any indicators of impairment.</p> <p>The balance sheet capitalisation cost is \$6.5m as at 31st March 2023. The board performed an impairment review as at year end, which comprised of a discounted cashflow model of future cashflows from this asset. The basis of the valuation supports the Board judgement that no impairment of SABER is necessary.</p>	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>considered whether the nature of the costs met the necessary criteria under IAS 38 for the costs to be allowed for capitalisation;</li> <li>vouched a sample of the addition capitalised to invoices, to confirm that they are correct capital item and have been accurately recorded;</li> <li>considered whether the Directors’ policy for the treatment of such costs was reasonable and assessed whether the costs included in the reconciliation were in line with the Directors’ policy;</li> <li>reviewed the cashflow model provided by management supporting no impairment is needed, together with the board paper supporting the various assumptions used in the model such as anticipated market size, industry market reports and expected revenue generated from Saber.</li> </ul> <p>Based on the audit work performed we are satisfied, that although there are inherent uncertainties associated with the forecast and estimation of useful economic life of intangible assets, the directors have made reasonable assumptions about the valuation and useful economic life of intangible assets, based on past experience and expected future revenues. We are also satisfied that all necessary disclosures have been made in the financial statements.</p>

## Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

	Group Financial statements	Company Financial Statements
Overall materiality	\$ 130,000	\$ 70,000
How we determined it	Based on 1% of gross asset	Based on 1% of net asset
Rationale for benchmark applied	The objective of the Group is the development of the SABER technology following the disposal of its old MWD IP and we believe the primary measure of shareholders in accessing the performance of the business is gross asset.	The company does not a business operation and is rather in the development of the SABER technology. Hence, it will be more appropriate to use the net asset as a basis of materiality since shareholder will be more concern of the value of the Company.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit for the Group above \$6,500 and for the Company above \$3,500 as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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## **An overview of the scope of our audit**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

### ***How we tailored the audit scope***

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are consolidation of the parent company and its subsidiary, Enteq Technologies USA. We conducted a full scope audit for the Group and Enteq Technologies USA for the purpose of the consolidation.

## **Other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report nor the Directors' report.

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

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

## **Responsibilities of Directors**

As explained more fully in the Directors' responsibilities statement set out on page 24, 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.



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## Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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.

### *Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud*

The objectives of our audit, in respect to fraud are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatements due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the senior statutory auditor ensured the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our knowledge and experience of the entity's activities.
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including Companies Act 2006, taxation legislation, data protection, employment and health and safety legislation.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and reviewing legal expenditure; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the Group and the Parent Company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- reading the minutes of meetings of those charged with governance; and
- enquiring of management as to actual and potential litigation and claims

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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This description forms part of our auditor's report.

### **Use of this 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.

### **Sachin Ramaiya (Senior Statutory Auditor)**

For and on behalf of  
Gravita Audit Ltd, Statutory Auditor  
Finsgate  
5-7 Cranwood Street  
London EC1V 9EE  
28 September 2023

## Enteq Technologies Plc

### Consolidated Statement of profit or loss and other comprehensive income

		Year to 31 March 2023	Year to 31 March 2022
	<i>Notes</i>	<i>\$ 000's</i> <i>Total</i>	<i>\$ 000's</i> <i>Total</i>
<b>Continued Operations</b>			
Revenue		-	-
Cost of Sales		-	-
<b>Gross Profit</b>		-	-
Administrative expenses before amortisation	8	(1,680)	(1,530)
Foreign exchange (loss)/profit on operating activities	8	5	(40)
Total Administrative expenses		(1,675)	(1,570)
<b>Operating loss</b>		(1,675)	(1,570)
Finance income	7	37	16
<b>Loss from continued operations</b>		(1,638)	(1,554)
Tax expense	9	280	-
<b>Loss from discontinued operations</b>	24	(1,446)	767
Loss attributable to:			
Total loss for the period		(2,804)	(787)
<b>Earnings per share (in US cents) from continuing operations:</b>			
Basic		(2.0)	(2.2)
Diluted		(2.0)	(2.2)
<b>Earnings per share (in US cents):</b>			
Basic		(4.0)	(1.1)
Diluted		(4.0)	(1.1)

The accounting policies and notes on pages 39 to 64 form part of these financial statements.

## Enteq Technologies Plc

### Consolidated Statement of Financial Position

		As at 31 March 2023	As at 31 March 2022
	<i>Notes</i>	<i>\$ 000's</i>	<i>\$ 000's</i>
<b>Assets</b>			
<b>Non-current</b>			
Intangible assets	<i>11</i>	6,484	4,143
Property, plant and equipment	<i>12</i>	63	2,506
<b>Non-current assets</b>		<u>6,547</u>	<u>6,649</u>
<b>Current</b>			
Trade and other receivables	<i>14</i>	237	3,537
Inventories	<i>15</i>	-	2,410
Cash and cash equivalents	<i>16</i>	5,351	3,296
Bank deposits	<i>16</i>	-	1,500
Assets held for sale	<i>25</i>	2,184	-
<b>Current assets</b>		<u>7,772</u>	<u>10,743</u>
<b>Total assets</b>		<u><b>14,319</b></u>	<u><b>17,392</b></u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	<i>17</i>	1,080	1,072
Share premium	<i>17</i>	92,037	91,919
Share based payment reserve		448	432
Retained earnings		(80,489)	(77,894)
<b>Total equity</b>		<u>13,076</u>	<u>15,529</u>
<b>Liabilities</b>			
<b>Current</b>			
Trade and other payables	<i>18</i>	1,243	1,863
<b>Total liabilities</b>		<u>1,243</u>	<u>1,863</u>
<b>Total equity and liabilities</b>		<u><b>14,319</b></u>	<u><b>17,392</b></u>

The financial statements were authorised for issue and approved by the Board of Directors on 29 September 2023 and were signed on its behalf by:

**Mark Ritchie**

Director

The accounting policies and notes on pages 39 to 64 form part of these financial statements.

## Enteq Technologies Plc

### Consolidated Statement of Changes in Equity For year ended 31<sup>st</sup> March 2023

	Called up share capital \$ 000's	Retained earnings \$ 000's	Share premium \$ 000's	Share based payment reserve \$ 000's	Total equity \$ 000's
<b>As at 1 April 2022</b>	<b>1,072</b>	<b>(77,894)</b>	<b>91,919</b>	<b>432</b>	<b>15,529</b>
Issue of share capital	8	-	118	-	126
Transfers between reserves	-	209	-	(209)	-
Share based payment charge	-	-	-	225	225
Transactions with owners	8	209	118	16	351
Loss for the year	-	(2,804)	-	-	(2,804)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income	-	(2,804)	-	-	(2,804)
Total movement	8	(2,595)	118	16	(2,453)
<b>As at 31 March 2023</b>	<b>1,080</b>	<b>(80,489)</b>	<b>92,037</b>	<b>448</b>	<b>13,076</b>
<b>As at 1 April 2021</b>	<b>1,056</b>	<b>(77,324)</b>	<b>91,789</b>	<b>455</b>	<b>15,976</b>
Issue of share capital	16	-	130	-	146
Transfers between reserves	-	217	-	(217)	-
Share based payment charge	-	-	-	194	194
Transactions with owners	16	217	130	(23)	340
Loss for the year	-	(787)	-	-	(787)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income	-	(787)	-	-	(787)
Total movement	16	(570)	130	(23)	(447)
<b>As at 31 March 2022</b>	<b>1,072</b>	<b>(77,894)</b>	<b>91,919</b>	<b>432</b>	<b>15,529</b>

The accounting policies and notes on pages 39 to 64 form part of these financial statements.

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# Enteq Technologies Plc

## Consolidated Statement of Cash Flows

	Year to 31 March 2023	Year to 31 March 2022
	\$ 000's	\$ 000's
<b>Cash flows from operating activities</b>		
Loss from continued activities	(1,638)	(1,554)
Loss from discontinued activities	(1,446)	767
<b>Finance income</b>	(37)	(16)
Gain on disposal of FA's	(292)	(30)
Share-based payment non-cash charges	225	194
Foreign exchange difference	5	(40)
Depreciation/Amortisation	1,162	840
	<u>(2,021)</u>	<u>163</u>
Tax received from continuing operations	280	0
Decrease/(Increase) in inventory	1,681	478
Decrease in trade and other receivables	1,853	(964)
Decrease in trade and other payables	(617)	320
Increase in rental fleet assets	(255)	(817)
<b>Net cash from operating activities</b>	<u><b>921</b></u>	<u><b>(822)</b></u>
<b>Investing activities</b>		
Purchase of tangible fixed assets	(25)	(58)
Disposal proceeds of tangible fixed assets	2,266	30
Purchase of intangible fixed assets	(2,639)	(2,614)
Funds place on interest nearing deposit	1,500	(1,500)
Interest received	37	16
<b>Net cash from investing activities</b>	<u><b>1,139</b></u>	<u><b>(4,127)</b></u>
<b>Financing activities</b>		
Share issue	-	145
<b>Net cash from financing activities</b>	<u><b>-</b></u>	<u><b>145</b></u>
<b>Increase in cash and cash equivalents</b>	<b>2,060</b>	<b>(4,803)</b>
Non-cash movements - foreign exchange	(5)	40
Cash and cash equivalents at beginning of period	3,296	8,059
<b>Cash and cash equivalents at end of period</b>	<u><b>5,351</b></u>	<u><b>3,296</b></u>

The accounting policies and notes on pages 38 to 64 form part of these financial statements.

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## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 1. NATURE OF OPERATIONS

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

### 2. GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH UK ADOPTED INTERNATIONAL ACCOUNTING STANDARDS

Enteq Technologies 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 UK adopted 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 2023.

The Group has adopted all accounting standards that have come into effect as of 1 April 2022.

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:

- Amendments to IFRS 16 Leases – requirements on accounting for sale and leaseback after the date of transaction (applicable on or after 1 January 2024)
- IFRS 17 Insurance Contracts – applicable on or after 1 January 2023
- Amendments to IAS 1 Presentation of Financial Statements – further disclosure requirements including additional detail around accounting policies (applicable on or after 1 January 2023)
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – definition of accounting estimates (applicable on or after 1 January 2023)

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.

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## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 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 company's 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.

### Compliance with applicable law and IFRS

The consolidated Financial Statements comprise those of the Company and its subsidiaries (together the "Group"). The consolidated Financial Statements of the Group and the individual Financial Statements of the Company have been prepared on the going concern basis and under the historical cost convention in accordance with United Kingdom adopted International Financial Reporting Standards ("IFRS") and their interpretations issued by the International Accounting Standards Board ("IASB") that are effective or issued and adopted as at the time of preparing these Financial Statements, and in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

### Basis of consolidation

The Group financial statements consolidate those of the parent Company and all of its subsidiaries as of 31 March 2023. 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 2023.

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 Technologies Inc.	USA	United States of America	Manufacturer of down hole drilling equipment	100%
Enteq Upstream Ltd.		UK	Dormant	100%
Jeteq Drilling Limited		UK	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.



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**Going concern**

At 31 March 2023 the Group has available cash balances of \$5.4m (\$4.8m 31 March 2022) and no debt.

The Group continues to adopt the going concern basis for the following 12 months in preparing its consolidated financial statements. This is on the basis that the cash flow forecasts prepared up to 31 December 2024, under the various scenarios detailed below, show sufficient cash resources to enable both the funding of working capital plus the completion of the SABER engineering project. Factors taken into consideration when preparing the various scenarios include:

- Increase in the spend required to bring SABER to commercialisation;
- Delays in the commercialisation of the SABER project;
- Significant reduction in the expected SABER related revenue generated in the period under review;
- The option to obtain external finance in order to provide SABER related working capital if required; and

In performing the going concern assessment, the directors consider there to be no effect of the currently ongoing invasion of Ukraine by Russia on the Group's workforce, supply chain, sales volumes and prices.

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## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 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: \$1.24 (31 March 2022 £1: \$1.31). 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.

### 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.

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## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 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
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#### 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

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## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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.

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## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### **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.

### **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.

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## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 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 and trade and other payables. 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.

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## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### **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.

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## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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.



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## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 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 11. 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 6.
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.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 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:

#### Revenues

	<b>31 March 2023</b>	31 March 2022
	\$ 000's	\$ 000's
United States of America	5,846	6,201
China	278	187
Rest of the world	56	228
Europe	38	51
Central Asia	22	396
Australasia	3	243
<b>Total Group revenue</b>	<b>6,245</b>	<b>7,306</b>

	31 March 2023	31 March 2022
	\$ 000's	\$ 000's
Contracts with customers	5,701	6,364
Operating lease income	544	942
<b>Total Group revenue</b>	<b>6,245</b>	<b>7,306</b>

#### Net Assets

	31 March 2023	31 March 2022
	\$ 000's	\$ 000's
Europe (UK)	4,276	3,649
United States	8,800	11,880
<b>Total Group net assets</b>	<b>13,076</b>	<b>15,529</b>

#### Non-current Assets

	31 March 2023	31 March 2022
	\$ 000's	\$ 000's
Europe (UK)	63	-
United States	6,484	6,649
<b>Total Group non-current assets</b>	<b>6,547</b>	<b>6,649</b>

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 2 customers that contributed in excess of 10% of the Group's total sales for the year (2022: 2). These customers contributed \$2,903k and \$1,430k respectively. (2022: \$4,086k and \$1,014k). No revenue relates to customers based in the UK (2022: none).

All revenue in year ended 31 March 2023 were generated from discontinuing operations. Refer to note 24 for details on performance of discontinuing operations.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 6. EMPLOYEES AND DIRECTORS

	31 March 2023 \$ 000's	31 March 2022 \$ 000's
Wages and salaries	1,119	1,325
Social security costs	164	160
Equity settled transactions – in lieu of emoluments	406	323
Equity settled transactions – share option and PSP charge	225	194
Pension and health costs	237	274
	<u>2,151</u>	<u>2,276</u>

During the year a total of \$678k of the above salaries were capitalised as part of intangible assets (2022: \$666k).

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

	31 March 2023 No.	31 March 2022 No.
Directors	5	5
Senior management	1	2
Sales & marketing	2	2
Manufacturing & Technical	4	5
Finance & administration	2	2
	<u>14</u>	<u>16</u>

#### Directors' remuneration

	31 March 2023 \$ 000's	31 March 2022 \$ 000's
Wages and salaries including social security costs	304	510
Equity settled transactions	406	323
Gains on LTIPs exercised	-	88
Pension and health costs	54	78
	<u>764</u>	<u>999</u>

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## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

The highest paid Director in the year is Andrew Law. Information regarding the highest paid director is as follows:

	\$ 000's	\$ 000's
Emoluments	327	329

The directors are deemed to be 'Key Management'. This is detailed further in Note 22. 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 \$34k of these emoluments were capitalised as part of intangible assets (2022: \$67k).

### 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 19.

#### *Enterprise Management Incentive Plan*

The Group has established a share option plan that entitles all employees to purchase shares in the Company. See note 19 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 19 for further details.

## 7. NET FINANCE INCOME

	31 March 2023 \$ 000's	31 March 2022 \$ 000's
Interest earned on bank deposits	<u>37</u>	<u>16</u>

## 8. LOSS BEFORE INCOME TAX

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

	31 March 2023 \$ 000's	31 March 2022 \$ 000's
Auditors' remuneration:		
- Fees payable to the Company's auditor for the audit of the Company's and Group's annual accounts	74	77
- Tax compliance services	-	20
Share based payments (both schemes)	225	194
Foreign exchange charges/(gains)	(5)	40

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## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 9. 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 2023 \$ 000's	31 March 2022 \$ 000's
Loss on ordinary activities before tax	(3,084)	(787)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2022: 19%):	(586)	(149)
Effects of:		
Items not subject to corporation tax	473	(31)
Tax losses to carry forward	113	181
R&D tax credit	280	-
Total income tax	280	-

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 \$0.0m; United States \$22.6m (2022: UK \$0.5m; United States \$22.2m). 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 disclosed in Note 13.

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## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 10. 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 \$2,804k (31 March 2022: loss of \$787k) by the weighted average number of ordinary shares in issue during the year of 69,484k (31 March 2022: 68,604k).

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, including senior managers, that are not included in the above figures are as follows:

	31 March 2023	31 March 2022
	000's	000's
EMI plan	170	233
PSP plan	5,616	3,670
Total	<u>5,786</u>	<u>3,903</u>

#### **March 2023: EPS**

	Earnings	Weighted average number of shares	Per-share amount
	\$ 000's	000's	US cents
Loss attributable to ordinary shareholders	<u>2,804</u>	<u>69,484</u>	<u>(4.0)</u>

#### **March 2022: EPS**

	Earnings	Weighted average number of shares	Per-share amount
	\$ 000's	000's	US cents
Loss attributable to ordinary shareholders	<u>787</u>	<u>68,604</u>	<u>(1.1)</u>

During the year Enteq Technologies Plc did not pay any dividends (2022: nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 11. 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
<b>Cost:</b>					
As at 1 April 2022	13,237	15,267	1,240	-	29,744
Transfer	102	(102)	-	-	-
Capitalised in period	-	2,639	-	-	2,639
As at 31 March 2023	13,339	17,804	1,240	-	32,383
<b>Amortisation/Impairment:</b>					
As at 1 April 2022	13,041	11,320	1,240	-	25,601
Writte off during the year	(110)	-	-	-	(110)
Charge for the year	408	-	-	-	408
As at 31 March 2023	13,339	11,320	1,240	-	25,899
<b>Net Book Value:</b>					
As at 1 April 2022	196	3,947	-	-	4,143
As at 31 March 2023	-	6,484	-	-	6,484
<b>Cost:</b>					
As at 1 April 2021	12,842	13,048	1,240	20,586	47,716
Transfers	275	(275)	-	-	-
Disposal	-	-	-	(20,586)	(20,586)
Capitalised in period	120	2,494	-	-	2,614
As at 31 March 2022	13,237	15,267	1,240	-	29,744
<b>Amortisation/Impairment:</b>					
As at 1 April 2021	12,842	11,320	1,240	20,586	45,988
Disposal	-	-	-	(20,586)	(20,586)
Charge for the year	199	-	-	-	199
As at 31 March 2022	13,041	11,320	1,240	-	25,601
<b>Net Book Value:</b>					
As at 1 April 2021	-	1,728	-	-	1,728
As at 31 March 2022	196	3,947	-	-	4,143

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.

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## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### Impairment Review

Due to the sale of the XXT business assets, there is now considered to be only one main cash generating unit (“CGU”) – that is relating to the SABER project. This CGU is in the carried forward value for IPR&D technology in the table above with a value of \$6,484k (2022: \$3,947k)

The recoverable amount of the CGU at the balance sheet date was assessed as a directors’ valuation (2022: directors’ valuation) and is determined from value in use calculations both where the asset is currently in use or will be in the near future. The directors have applied a discounted cashflow approach to determine the carrying value for the SABER project and intangible asset being carried in these financial statements.

The key assumptions made by the directors (2022: directors) for the discounted cash flow workings are:

- the expected roll out of the technology over five years to 31 March 2028 (2022: not disclosed);
- an exit value at the beginning of year six on an estimated multiple;
- that the roll out will not be significantly impacted by competing technologies (2022: same assumption);
- that the Group will introduce a phased roll out of rental units of between 5 and 20 in each key region from 1 April 2024 onwards (2022: not disclosed) with a typical number of days usage per unit;
- each rental unit will generate a similar amount of revenue per unit irrespective of the region in which it operates (2022: not disclosed);
- the expected operating life of each rental unit is >5 years and annual servicing costs for each have been included in the workings (2022: not disclosed);
- that the expected revenues arise from projects based upon agreements in place as well as agreements which currently do not yet exist and that the Group will put in place an appropriate plan to field the number of rental units in the model (2022: same assumption);
- that the company currently has the financial resources to build the number of rental units and that there is no requirement at present to raise additional income from new fund raises (2022: same assumption), whilst noting that additional scenarios are continuously under evaluation to provide financing to further accelerate fleet build-up;
- applying a discount rate to cashflow of 25% (2022: 13.4%) assessed by a review of discount rates for projects within similar and competing sectors which was considered to provide a reasonable estimate of a weighted average cost of capital for a company benefiting from the assumed roll out;
- that the field testing is successful and completed and that the technology can be rolled out commercially from 1 January 2024 without any fundamental developmental challenges.

Changes to the above assumptions would impact the valuation assessment.

The Directors believe that the key sensitivities in the valuation are as follows:

- (i) The directors have assumed a phased build-up of rental units from 1 January 2024 with between 5 and 20 rental units to be in operation in each key region as part of a phased build-up from 1 April 2024 onwards. Sensitivity workings with a reduction to the total of 10 rental units showed a decrease in valuation by between \$2 million to \$4 million.
- (ii) The discount rate applied to the cashflows. Sensitivity workings with a discount rate 5% higher at 30% would decrease the valuation by between \$3.0 million and \$6.0 million.
- (iii) Inflation – an increase in the inflation assumption above that assumed by the directors valuation of 5%.
- (iv) Growth rates - The directors have assumed growth rates in revenues of 33% once the SABER business has been established, resulting from the fleet expansion.

The Directors have not accounted for the possibility of any onerous obligations arising with the contracts as there is no reason to expect that these will arise at this stage in the business life cycle.

Currently the SABER project is towards the end of the development phase and is forecast to be cash generating from 31 May 2024.



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## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### **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 trials have been completed which will give a better estimate of the useful life of this asset.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 12. 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
<b>Cost:</b>						
As at 1 April 2022	461	2,440	129	834	319	4,183
Additions	-	-	-	-	25	25
Transfers	-	-	-	(33)	-	(33)
Disposals	(461)	(2,440)	-	(801)	(13)	(3,715)
As at 31 March 2023	-	-	129	-	331	460
<b>Depreciation:</b>						
As at 1 April 2022	-	862	94	516	205	1,677
Charge for the year	-	84	25	573	86	768
Disposals	-	(946)	-	(1,089)	(13)	(2,048)
As at 31 March 2023	-	-	119	-	278	397
<b>Net Book Value:</b>						
As at 1 April 2022	461	1,578	35	318	114	2,506
As at 31 March 2023	-	-	10	-	53	63
<b>Cost:</b>						
As at 1 April 2021	461	2,425	159	17	292	3,354
Additions	-	15	-	1,318	43	1,376
Transfers	-	-	-	(501)	-	(501)
Disposals	-	-	(30)	-	(16)	(46)
As at 31 March 2022	461	2,440	129	834	319	4,183
<b>Depreciation:</b>						
As at 1 April 2021	-	775	107	9	191	1,082
Charge for the year	-	87	17	507	30	641
Disposals	-	-	(30)	-	(16)	(46)
As at 31 March 2022	-	862	94	516	205	1,677
<b>Net Book Value:</b>						
As at 1 April 2021	461	1,650	52	8	101	2,272
As at 31 March 2022	461	1,578	35	318	114	2,506

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 13. 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 9, there are no unused tax losses in the UK and in the US of \$22.6m (tax value of \$6.8m at 30%) (2022: UK \$0.5m; US \$22m), for which deferred tax assets have not been recognised.

### 14. TRADE AND OTHER RECEIVABLES

	31 March 2023 \$000's	31 March 2022 \$000's
Trade Receivables	98	3,250
Prepayments	72	201
Other receivables	67	86
	<u>237</u>	<u>3,537</u>

The above can be analysed as follows:

Non-current	-	-
Current	237	3,537
	<u>237</u>	<u>3,537</u>

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.

<b>Bad debt provision</b>	31 March 2023 \$000's	31 March 2022 \$000's
As at 1 April	366	422
Allowances used	-	(56)
As at 31 March	<u>366</u>	<u>366</u>

Trade receivables were impaired by \$212k (2022:Nil) .

### 15. INVENTORIES

	31 March 2023 \$000's	31 March 2022 \$000's
Finished Goods	1,136	2,294
Work in progress	102	39
Raw Materials	81	77
	<u>1,319</u>	<u>2,410</u>
Impairment	(587)	-
Assets held for sale (Note 25)	(732)	-
	<u>-</u>	<u>2,410</u>

The value of inventory recognised within cost of sales was \$4,777k (2022: \$4,678k). The balance as at 31 March 2023 includes no provision for slow moving stock (31 March 2022: \$nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 16. CASH AND CASH EQUIVALENTS

	31 March 2023 \$000's	31 March 2022 \$000's
Denominated in USD	5,184	3,038
Denominated in GBP	167	258
	<u>5,351</u>	<u>3,296</u>

There was no interest bearing deposit as at year end (2022: \$1,500k)

### 17. CALLED UP SHARE CAPITAL

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

	<i>Number</i> <i>000's</i>	<i>Share</i> <i>Capital</i> <i>\$000's</i>	<i>Share</i> <i>Premium</i> <i>\$000's</i>
As at 1 April 2022	69,014	1,072	91,919
Issued during the year	710	8	118
As at 1 March 2023	<u>69,724</u>	<u>1,080</u>	<u>92,037</u>

All shares issued carry the same voting rights.

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

### 18. TRADE AND OTHER PAYABLES

	31 March 2023 \$000's	31 March 2022 \$000's
Trade payables	788	1,381
Accrued expenses	331	237
Social security and other taxes	120	194
Other creditors	4	51
	<u>1,243</u>	<u>1,863</u>

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

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 19. 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 2023 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 2023		31 March 2022	
	<i>Weighted average exercise price (pence)</i>	<i>Number of options</i>	<i>Weighted average exercise price (pence)</i>	<i>Number of options</i>
Outstanding at the beginning of the period	19.1	234,500	20.2	397,500
Granted during the period	14.0	170,000	17.3	250,000
Exercised during the period	-	-	-	-
Forfeited during the period	14.5	(234,500)	13.6	(413,000)
Outstanding at the end of the period	14.4	170,000	19.1	234,500
Exercisable at the end of the period	-	-	23.3	49,500
Highest exercise price (p)	17.3		31.5	
Lowest exercise price (p)	14.00		12.0	

The weighted average remaining contractual life of all outstanding share options is 505 days (2022: 1,130 days). The fair value of services received in return for share options are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model and expectations of early exercise are incorporated into this model.

The grant made during the year were as follows:

<i>Grant Date</i>	<i>July 2022</i>
Fair value for option at grant date (pence)	14.0
Weighted average share price at date of grant (pence)	14.0
Weighted average exercise price	14.0
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 charge of \$13k (2022: credit of \$26k) 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.

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## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

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

	31 March 2023	31 March 2022
	<i>Number of options</i>	<i>Number of options</i>
Outstanding at the beginning of the period	4,604,792	3,825,138
Granted during the period	1,946,207	1,861,286
Exercised during the period	-	(540,816)
Lapsed during the period	(934,616)	(540,816)
Outstanding at the end of the period	<u>5,616,383</u>	<u>4,604,792</u>
Exercisable at the end of the period	<u>-</u>	<u>-</u>

The weighted average remaining contractual life of all outstanding Performance Share Plan options is 428 days (2022: 3,066 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:

<i>Grant Date</i>	<i>July 2022</i>
<b>General</b>	
Option price (pence)	1.0
Share price at date of grant	14.5
Expected volatility	25%
Risk free interest rate	0.43%
Option life	10 years
<b>Market based conditions (TSR)</b>	
Fair value for option at grant date (pence)	3.3
<b>Non market based conditions (EBITDA)</b>	
Option valuation	13.5

During the year a charge of \$212k (2022: Charge of \$220k) has been included within the income statement as a charge, for the above options.

The charge of \$225k (2022: charge of \$194k) shown in note 8 includes the charges for both the above schemes.

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## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 20. 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 2023	Property \$000's	Equipment \$000's	Total \$000's
Within one year	23	2	25
Within two to five years	23	6	29
	<u>46</u>	<u>8</u>	<u>54</u>
At 31 March 2022	Property \$000's	Equipment \$000's	Total \$000's
Within one year	-	2	2
Within two to five years	-	6	6
	<u>-</u>	<u>8</u>	<u>8</u>

The lease expense during the year amounted to \$25k (2022: \$2k), representing the minimum lease payment.

### 21. OPERATING LEASES AS LESSOR

The Group leases out equipment under operating leases, the carrying value of which is shown in note 12.

Rental income during the year amounts to \$544k (2022: \$931k) included within revenue.

### 22. 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.

### 23. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.

### 24. LOSS FROM DISCONTINUING OPERATIONS

#### (i) Description

On 11 April 2023, the XXT intellectual property (previously amortised over time to a book value of nil) and associated product lines and trademark, together with selected technology agreements, customer account receivable balances, and inventory were sold for a consideration of \$3,161k, made up of an upfront payment of \$1,886k and a deferred consideration of \$1,275k. The deferred consideration consists of a guaranteed payment of \$587k payable over a 12 month period following disposal and a contingent consideration of \$688k which is subject to the recoverability of the receivable sold. The contingent consideration was not considered in the calculation of the net realisable value of asset held for sale.

The business relating to the XXT has been reclassified as discontinued operation and the associated assets were classified as held for sale.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### (ii) Financial performance

	31-Mar-23 \$000's	31-Mar-22 \$000's
Revenue	6,245	7,306
Cost of Sales	(4,777)	(4,678)
Admin expenses	(1,984)	(1,655)
Amortisation	(408)	(199)
Other exceptional items	(522)	(7)
Foreign exchange profit on operating activities	-	-
<b>Operating loss</b>	<b>(1,446)</b>	<b>767</b>
Finance income	-	-
<b>Loss before tax</b>	<b>(1,446)</b>	<b>767</b>
Tax	-	-
<b>Loss from discontinuing operations</b>	<b>(1,446)</b>	<b>767</b>
	<b>31-Mar-23 \$000's</b>	<b>31-Mar-22 \$000's</b>
<i>Cashflow from discontinuing operations</i>		
Net cash from operation activities	(1,446)	767
Net cash from investing activities	-	-
Net cash from financing activities	-	-
Net cashflow for the year from discontinuing operations	(1,446)	767

### 25. ASSETS HELD FOR SALE

The following asset has been held for sale:

	31 March 2023 \$000's	31 March 2022 \$000's
Accounts receivable < 1yr	1,452	-
Stock - held for resale	732	-
	<u>2,184</u>	<u>-</u>

There was no liability directly associated with asset held for sale.



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## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023  
Financial Risk Management

### 26. FINANCIAL INSTRUMENTS

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

#### Objectives, policies and procedures

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

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

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

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## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 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 2022 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 \$54k 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 \$1k.

## Notes to the Consolidated Financial Statements

For the year ended 31 March 2023

### 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 2023.

### 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 IFRS 9 categories:

#### **31 March 2023**

	<i>Financial liabilities at amortised cost</i>	<i>Non-Financial Liabilities</i>	<i>Total for Statement of Financial Position heading</i>
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
<b>Statement of Financial Position headings – liabilities</b>			
Trade payables	788		788
Social security and other taxes		120	120
Other creditors	4		4
Accrued expenses	331		331
Total	<u>1,123</u>	<u>120</u>	<u>1,243</u>

	<i>Financial assets at amortised cost \$000</i>	<i>Non- Financial Assets \$000</i>	<i>Total for Statement of Financial Position heading \$000</i>
<b>Statement of Financial Position headings – assets</b>			
Assets held for sale	2,184	-	2,184
Trade receivables	98	-	98
Prepayments	-	72	72
Other receivables	67	-	67
Cash and cash equivalents	5,351	-	5,351
Total	<u>7,700</u>	<u>72</u>	<u>7,772</u>

### 31 March 2022

	<i>Financial liabilities at amortised cost \$000</i>	<i>Non- Financial Liabilities \$000</i>	<i>Total for Statement of Financial Position heading \$000</i>
<b>Statement of Financial Position headings – liabilities</b>			
Trade payables	1,381	-	1,381
Social security and other taxes	-	194	194
Other creditors	51	-	51
Accrued expenses	237	-	237
Total	<u>1,669</u>	<u>194</u>	<u>1,863</u>

	<i>Financial assets at amortised cost \$000</i>	<i>Non- Financial Assets \$000</i>	<i>Total for Statement of Financial Position heading \$000</i>
<b>Statement of Financial Position headings – assets</b>			
Trade receivables	3,250	-	3,250
Prepayments	-	201	201
Other receivables	86	-	86
Cash and cash equivalents	3,296	-	4,796
Bank deposit	1,500	-	1,500
Total	<u>8,132</u>	<u>201</u>	<u>8,333</u>

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

	Within 3 months \$000's	3 to 12 months \$000's	12 to 18 months \$000's
31 March 2023	<u>1,243</u>	-	-
31 March 2022	<u>1,863</u>	-	-

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## **27. 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.

## **28. POST-REPORTING DATE EVENTS**

The sale of the XXT related business assets occurred on 11 April 2023. A full description of this event has been set out in the Combined Chief Executive and Chairman's report on page 5.

# Enteq Technologies Plc

## Company Statement of Financial Position

	<i>Notes</i>	<b>As at 31 March 2023</b> \$ 000's	<b>As at 31 March 2022</b> \$ 000's
<b>Fixed assets</b>			
Tangible Assets	3	46	34
Investments in subsidiaries	4	-	-
		<u>46</u>	<u>34</u>
<b>Current assets</b>			
Trade and other receivables: amounts falling due within one year	5	2,589	6,372
Trade and other receivables: amounts falling due after one year	7	-	6,828
Cash at bank and in hand	6	5,071	2,651
Bank deposits	6	-	1,500
<b>Total assets</b>		<u>7,706</u>	<u>17,385</u>
<b>Creditors: amounts falling due within one year</b>			
Trade and other payables	8	(909)	(666)
<b>Total net assets</b>		<u><b>6,797</b></u>	<u><b>16,719</b></u>
<b>Capital and reserves</b>			
Called up share capital	9	1,080	1,072
Share premium account	9	92,037	91,919
Share based payment reserve		448	432
Retained earnings		(86,768)	(76,704)
<b>Total equity</b>		<u><b>6,797</b></u>	<u><b>16,719</b></u>

The balance sheet takes into consideration the CA 2006 s408 exemption. The parent Company's loss for the financial year was \$10,180k (2022: profit of 403k). The financial statements were approved by the Board of Directors on 29 September 2023 and were signed on its behalf by:

**Mark Ritchie**

Director

The accounting policies and notes on pages 65 to 69 form part of these financial statements.

## Enteq Technologies Plc year ending 31<sup>st</sup> March 2023

### 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
<b>As at 1 April 2022</b>	<b>1,072</b>	<b>(76,704)</b>	<b>91,919</b>	<b>432</b>	<b>16,719</b>
Issue of share capital	8	-	118	-	126
Transfers between reserves	-	209	-	(209)	-
Share based payment charge	-	-	-	225	225
Transactions with owners	8	209	118	16	351
Loss for the year	-	(10,273)	-	-	(10,273)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income	-	(10,273)	-	-	(10,273)
Total movement	8	(10,064)	118	16	(9,922,)
<b>As at 31 March 2023</b>	<b>1,080</b>	<b>(86,768)</b>	<b>92,037</b>	<b>448</b>	<b>6,797</b>
<b>As at 1 April 2021</b>	<b>1,056</b>	<b>(77,324)</b>	<b>91,789</b>	<b>455</b>	<b>15,976</b>
Issue of share capital	16	-	130	-	146
Transfer between reserves	-	217	-	(217)	-
Share based payment charge	-	-	-	194	194
Transactions with owners	16	217	130	(23)	340
Profit for the period	-	403	-	-	403
Other comprehensive expense for the year	-	-	-	-	-
Total comprehensive income	-	403	-	-	403
Total movement	16	620	130	(23)	743
<b>As at 31 March 2022</b>	<b>1,072</b>	<b>(76,704)</b>	<b>91,919</b>	<b>432</b>	<b>16,719</b>

The accounting policies and notes on pages 65 to 69 form part of these financial statements.

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## Notes to the Company Statement of Financial Position

### For the year to 31 March 2023

#### 1. SIGNIFICANT ACCOUNTING POLICIES

##### **Basis of accounting**

Enteq Technologies 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).



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## Notes to the Company Statement of Financial Position

### For the year to 31 March 2023

#### 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 Technologies 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.

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## Notes to the Company Statement of Financial Position

### For the year to 31 March 2023

#### 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 \$10,389k (2022: profit of \$403k).

## Notes to the Company Statement of Financial Position

### For the year to 31 March 2023

#### 3. TANGIBLE FIXED ASSETS

	Computer equipment \$000's	Office equipment \$000's	Total \$000's
<b>Cost:</b>			
As at 1 April 2022	10	39	49
Additions	-	21	21
31 March 2023	<u>10</u>	<u>60</u>	<u>70</u>
<b>Depreciation:</b>			
As at 1 April 2022	10	5	15
Charge	-	9	9
31 March 2023	<u>10</u>	<u>14</u>	<u>24</u>
<b>Net Book Value:</b>			
As at 1 April 2022	-	34	34
31 March 2023	<u>-</u>	<u>46</u>	<u>46</u>

#### 4. INVESTMENTS

	Shares in Group undertakings \$000's
<b>Cost</b>	
As at 1 April 2022 and 31 March 2023	<u>23,285</u>
<b>Impairment</b>	
As at 1 April 2022 and 31 March 2023	<u>23,285</u>
<b>Net book value</b>	
As at 1 April 2022 and 31 March 2023	<u>-</u>

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 Technologies USA Inc.	United States of America	Manufacturer of down hole drilling equipment	100%
Enteq Upstream Ltd.	UK	Dormant	100%
Jeteq Drilling Limited	UK	Dormant	100%

The previously reported subsidiary, Jeteq Drilling Limited, was dissolved on 6 September 2022.

## Notes to the Company Statement of Financial Position

### For the year to 31 March 2023

#### 5. DEBTORS

<i>Amounts falling due within one year:</i>	31 March 2023	31 March 2022
	<i>\$000's</i>	<i>\$000's</i>
Amounts owed by Group undertakings:		
Gross amount owed	26,878	26,888
Provision	(24,405)	(20,679)
	<u>2,473</u>	<u>6,209</u>
Prepayments	49	77
Accrued interest receivable	30	4
VAT recoverable	37	82
	<u>2,589</u>	<u>6,372</u>

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 2023	31 March 2022
	<i>\$000's</i>	<i>\$000's</i>
Denominated in USD	4,904	3,893
Denominated in GBP	167	258
	<u>5,071</u>	<u>4,151</u>

In addition to the above, as at 31 March 2022 there was an interest bearing bank deposit of \$1,500k that matured on 10 January 2023.

#### 7. INTER-COMPANY LOAN NOTES

	31 March 2023	31 March 2022
	<i>\$000's</i>	<i>\$000's</i>
Receivable from Enteq Technologies USA Inc:		
As at 1 April	37,928	37,928
Provision relating to the above	(37,928)	(31,100)
As at 31 March	<u>-</u>	<u>6,828</u>

The intercompany loans are charged at interest rates 3.71%. 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 and the balance has been fully provided for. 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.

## Notes to the Company Statement of Financial Position For the year to 31 March 2023

### 8. CREDITORS

	31 March 2023 <i>\$000's</i>	31 March 2022 <i>\$000's</i>
Trade payables	565	421
Accrued expenses	331	227
Social security and other taxes	13	18
	909	666

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:

	<i>Number</i> <i>000's</i>	<i>Share</i> <i>Capital</i> <i>\$000's</i>	<i>Share</i> <i>Premium</i> <i>\$000's</i>
As at 1 April 2022	69,014	1,072	91,919
Issued during the year	710	8	118
As at 1 March 2023	69,724	1,080	92,037

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.





