ENTEQ UPSTREAM PLC

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR TO 31 MARCH 2013

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REGISTERED NUMBER. 07590845 (England and Wales)

Contents

Operational highlights, financial metrics and outlook

Operational Highlights

- Completed acquisitions of XXT and KMS to form Enteq's Drilling Products Division
- Successful transition to become an integrated and focused Measurement While Drilling 'system' provider
- Growth of market share and customer base
- First Eastern Hemisphere sales completed with significant further opportunities
- Enhanced product range and technology agreements
- New manufacturing facilities and increased capacity in California, Texas and UK
- Sales & marketing investment driving market share gains

Financial metrics

Trading results are for post-acquisition periods for XXT (10 5 months) and KMS (8 5 months)

• Revenue	$15 4m	(2012 $nil)
• Adjusted EBITDA[1]	$0 1m	(2012 loss of $1 9m)
• Loss before tax	$0 6m	(2012 $3 3m)
• Adjusted loss per share[2]	0 8 cents	(2012 13 4 cents)
• Loss per share	1 3 cents	(2012 28 8 cents)
• Cash	$23 9m	(2012 $20 8m)
• Available bank facility	$15 0m	(2012 $nil)

Outlook

- North American rig count currently stable and expected to grow modestly in 2013
- Enteq gaining market share and increased sales from transition to systems provider
- International sales expected to grow in key markets
- Continuing expansion of product range through acquisition/agreements and engineering development
- Buy & build strategy continues to address very significant global market potential
- Improved trading anticipated in current financial year

[1] Adjusted EBITDA is reported loss before tax adjusted for interest, depreciation, amortisation, foreign exchange movements and exceptional items

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

Company information
For the year to 31 March 2013

DIRECTORS

Chairman

Neil Warner	*Chairman of the Board, Chairman of Nomination Committee*

Executive Directors

Raymond Garcia	*Chief Operating Officer*
Ian Leaman	*Chief Financial Officer*
Martin Perry	*Chief Executive Officer*

Non-Executive Directors

Iain Paterson	*Chairman, Remuneration Committee*
Robin Pinchbeck	*Chairman, Audit Committee*

SECRETARY
Ian Leaman

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Chairman's statement

Review of the Year

Enteq Upstream plc is building a technology and products business in the global upstream oil & gas market This has been an active year with Enteq completing its first acquisitions, raising additional equity and debt capital and integrating the acquired businesses

The initial acquisitions have been focused on specialist products for directional drilling, demand for which has been driven by the development of the 'unconventional' shale drilling market for oil and gas in North America This drilling market has grown rapidly since 2009 but experienced some reduction from mid 2012, after some commodity price concerns Activity levels remain high but are approximately 20% below peak levels Our first Enteq acquisition, XXT, provides products which are by nature capital purchases for its drilling customers As previously reported, XXT suffered a poor first six months of trading as a result of lower levels of drilling activity KMS continued to trade in line with its pre-acquisition levels Trading has recovered in the most recent 6 months and the medium and long term prospects for these initial acquisitions, as the addressable market and market share is broadened, continues to hold promise

During the year, Enteq has transformed the acquired businesses from supplying individual components towards more integrated systems supply and support By moving up the value chain, Enteq is adding value and increasing average order sizes New product and technology launches have also been achieved

Over the next year, we intend to continue to broaden Enteq's existing product range through internal investment, technology licensing or acquisition and continuing to seek to pursue the buy and build model and grow value for shareholders

Enteq's employees all deserve recognition for their commitment and achievements over the last year It is they who have cemented Enteq's foundations by deploying their skills and enthusiasm so quickly and effectively On behalf of the Board I would like to thank all members of staff

Prospects

Enteq enters the new financial year with a strong balance sheet, with available cash of $24m and an unutilised bank funding line of $15m North American market conditions appear to have settled as represented by trading since the year end Initiatives to continue a broadening of addressable market and market share continue Improved trading is anticipated in the current financial year

Neil Warner

Neil Warner

Chairman

Chief Executive's operating and strategic review

Introduction

Enteq Upstream plc was founded and listed on AIM in July 2011 with a strategy to acquire and build a technology and products businesses in the upstream oil and gas sector The first Enteq acquisition, XXT, was supported by a further equity fund-raise, and completed in May 2012 Subsequent acquisitions of KM Services and Pro-Flow in Houston were completed in July 2012

The acquisitions were focused on the directional drilling market in North America The customer base, of Directional Drillers, operate Measurement While Drilling equipment on rigs drilling horizontal and deviated wells on land in USA and Canada The demand for these wells has been dominated by the opportunity to exploit 'unconventional' shale oil and gas

Subsequent to completing the acquisitions, Enteq has focused on integrating and transforming the acquired businesses into an international 'Reach and Recovery' business that can address the multi-billion-dollar global market for directional drilling

Other acquisition opportunities have been appraised during the period but were not considered appropriate to complete at the time Enteq's strategy is to continue to expand its product range for Directional Drilling technologies and equipment and to enter alternative, adjacent markets when the appropriate opportunities arise

Reporting & performance indicators

A set of Key Performance Indicators have been set for the acquired companies These are implemented immediately on completion of acquisitions and reported weekly to senior management who review, initiate action where required and follow-up The following Key Performance Indicators are used

Financial Sales, gross profit%, EBITDA%, order intake, backlog, accounts receivable & payables ageing, working capital days and capital expenditure Other performance measures Number of reportable incidents

Key market indicators regularly monitored by management and Board of Directors include Global Rig Count, North American Rig Count, WTI Oil Price and Henry Hub Natural Gas Price

Governance

Enteq is committed to maintaining high standards of Corporate Governance As an AIM listed Company, Enteq is not obliged to follow the UK Corporate Governance Code (June 2010) but the Board has determined that the Company will seek to follow the code as far as practicable During the period under review the Board has continued to develop internal controls and processes to ensure as far as possible compliance with the Code

Strategy & Business Model

Market Overview

Enteq's products are sold to businesses providing oilfield services This market is very significant, valued at some $100 bn[1] The provision of services and operating technical equipment, is dominated by the major oilfield service companies such as Schlumberger, Halliburton, Baker Hughes and Weatherford These vertically integrated companies have developed their own technologies and products and have an in-house supply chain Generally, they do not sell or make these technologies available to competitors

The smaller service companies and National Oil Companies which operate their own services generally do not have the ability to develop their own technologies and solutions and therefore to compete effectively, require a third-party equipment developer and supplier National Oilwell Varco ($32bn Market Cap) and GE's Oil & Gas business are dominant suppliers of equipment Enteq's strategy is to compete in this market with differentiated technologies and products supported by excellent customer service

The market for sales of downhole drilling tools is around $3 3bn[1]

[1]*Spears Oilfield Market Report 2013*

Enteq's addressable markets

The initial market addressed by Enteq through its acquisitions in 2012 is Directional Drilling and in particular Measurement While Drilling (MWD) The market size for Enteq's customers providing services in these markets is around $14bn[1] Enteq provides

- i equipment which is considered a capital purchase and which is used on a repeat basis (estimated life of product is 5 years in a drilling environment) and
- ii consumables and parts which wear through use and are replaced on a regular basis

In North America there are approximately 2,100 drilling rigs, virtually all of which use MWD equipment Outside North America (not including China) there are approximately 1,300 rigs In North America approximately 65%[1] of the market is dominated by the vertically integrated service companies, some 150 smaller independent directional drillers and MWD providers make up the remainder The largest of these 'independents' will have the capability of operating on up to 200 rigs, these comprise Enteq's initial addressable market, which in a stable environment we estimate is valued at $300m-$400m

Outside North America, the major providers again dominate, especially in the offshore and remote markets Many local, regional and indigenous service providers exist which require equipment and support China, Russia and Venezuela are currently Enteq's largest potential markets outside USA

In North America during in the first half of 2012 the gas price fell due to over-production and the difficulties of transporting gas However most of the rigs drilling for gas were transported to the oil producing regions where the demand for drilling was still high Directional drillers remained at capacity during this period and continued to expand their fleets of MWD equipment In mid-2012 the oil price fell, fuelled by political and other global economic uncertainties The North American rig count dropped by approximately 20%[1], where it has broadly remained through the end of 2012 and to date

This drop in rig utilisation led to directional drilling companies having surplus equipment capacity Whilst they continued to operate their equipment on hand, they ceased any expansion and utilised spare capacity to replace any equipment that may have become damaged or lost in hole Hence capital expenditure from these customers was minimal during the period of declining rig count

A further factor influencing the market is the huge pressure from oil producers for drilling contractors to become more efficient in (i) the time taken to drill wells and (ii) to reduce costs As equipment, such as that provided by Enteq, becomes more reliable and can operate for longer at elevated temperatures, it becomes possible to drill longer wells in a shorter time, enabling more rapid production from the well Through the technical superiority and reliability of Enteq's equipment in these environments, Enteq's customers have gained market share from their less capable and reliable competitors

The combined effect of Enteq's customers gaining market share and demand for replacement equipment (even in a flat market) brought new orders from existing customers during the last quarter of the financial year to March 2013, as resumption of capital expenditure and fleet expansion programs begins

Overall demand for consumables and parts, driven by the number of feet drilled, has remained stable as activity continues

Competition

The dominant third party supplier of MWD equipment to directional drilling companies is GE, whose product lines comprised the Tensor system and the Geolink and Bluestar products which it acquired with Sondex plc (the previous company operated by the founders of Enteq) GE has discontinued the Geolink product line, which was the standard in the Eastern Hemisphere

The Enteq MWD system is based around the technology developed by XXT, whose founders were also the key developers behind the Tensor system Enteq's MWD system is therefore compatible with existing Tensor systems but allows a migration path to a number of the enhanced sensors and controls which are now integral to the Enteq solution

A further competitor is APS, based in Connecticut, USA APS has developed an MWD solution which has filled a gap in the market outside North America, especially as the Geolink product is no longer available It is believed that APS has recently won a $100m supply contract to Venezuela, via a Chinese led integrated services package This demonstrates the scale of the opportunities in Enteq's addressable markets Enteq believes that its evolving solution will have technically differentiated features which set it ahead of APS

Two other smaller USA based providers, both 'spin-offs' from GE, BenchTree and Tolteq, are present in the market as are various 'system integrators'

Acquisitions

XXT

The business and assets of XXT were acquired in May 2012 XXT was a small focused group with 20 people developing firmware, down-hole electronics and sensors They shipped the manufactured equipment as discreet components to their customers The customer base was small (80% of business from its top 6 customers) with the technical capability to then integrate the XXT 'intelligence' into operational systems

Since acquisition, Enteq has doubled XXT's floor space to 7,200 sq ft, dedicating a new adjacent building to manufacture and test the sensors, electronics, and software A new manufacturing manger (known to the business previously) has been appointed and will take over as the original manager retires this year The small team of specialist technicians was maintained through the quieter periods of production in the first half of the year, but have recently again been working close to capacity With the addition of locally available technicians, output could be more than doubled in the new facility

The original facility has become dedicated to engineering and product development Firmware, electronic, mechanical engineering and documentation resources have been added both to cascade the knowledge from the founders of the business and to accelerate new product introductions and enhancements

Enteq-KMS

In July 2012, Enteq acquired the business and assets of the sister companies Pro-Flow and KM Services, located in facilities of 38,000 sq ft in South Houston Pro-Flow is a fabrication plant building specialist surface equipment needed by directional drilling companies KM Services is a machining business, manufacturing spare parts and components used within drilling motors and MWD systems operated by the same directional drilling companies KM Services also undertook contract machining work for the integrated service companies such as Halliburton and Weatherford

On acquisition, Pro-Flow and KMServices were rapidly integrated to become Enteq-KMS which has a common customer base, including a significant overlap with XXT Cross-product training was undertaken and shared relationships with key customers established

As part of the acquisition terms related to earn-out provisions, Enteq was required to maintain the existing General Manager in his role unless certain targets were not achieved The level of engagement Enteq could bring to KMS was initially limited by this lack of day-to-day management influence After 6 months of ownership, the targets set had not been achieved and a change of management was made The business has required some re-focusing on core business, a review and improvement of systems and processes, improved inventory control and margin improvement These changes are now underway

Product development and introductions

A new Pulser product has been released to the market This is a key component of a Measurement While Drilling string which transmits the data through a series of pressure pulses through the drilling fluid where it is received by surface system and displayed via software at the surface The sales value of the pulser is $40,000 They are typically sold in pairs as part of the Enteq 'system' as well as being stand-alone and compatible products to GE/Tensor and other Tensor style systems This is one of the key products identified on acquisition, commercialisation of which also secures part of the vendors' earn-out

The surface acquisition system, which is a key differentiator for XXT, with unique functionality, has been enhanced and adapted enabling pull-through sales with key customers

An Electromagnetic Data Transmission system ("EM") is currently in field trials and is showing positive initial results If successful, some further engineering work is required and this will address a new market sector currently unavailable to Enteq or our customers and will 'pull-through' further system sales A system sale including EM is likely to be valued at $650k

A 3-wire down-hole communication system, also an 'earn-out' related product, has progressed This system will be incorporated in all new Enteq systems and become the core of a new, more reliable solution Interfaces for other sensors, allowing third party digital sensors, to be added to the Enteq system are being released shortly

Other technology agreements have been completed with external engineering groups to provide solutions related to power generation and formation evaluation which will further enhance and add considerable value to the Enteq solution

People

Enteq is building a highly skilled and professionally staffed business and has recruited and promoted into key roles Our management structure has been developed and we continue to invest in building our teams

Facilities

Enteq now has operational facilities in Santa Clara, California, North & South Houston, Texas, Austin, Texas, and Amersham, U K Approximately 100 people are employed by the business

In January 2013, Enteq opened a new 4,000 sq ft sales and technical support centre in the Woodlands, North Houston This is an area of customer concentration and will allow improved communication and support to be given to existing and potential customers This centre now houses sales and technical support for integrated XXT and KMS sales teams, as well as technical support This is also where the Enteq MWD systems are being assembled Accelerated by an opportunity to acquire a full MWD system, and supported by the manufacture of significant lab and workshop facilities at KMS, a fully functional system can now be demonstrated to customers, provided for trials and sold from this location The XXT and KMS manufacturing units both ship components to this facility where they are assembled and tested as a system

For new customers, Enteq will also sell a full set of lab and workshop equipment enabling a user-friendly 'turn-key' operation for the customer The sale price of two systems and lab equipment, which would be a minimum start-up requirement, would be priced at approximately $500k, as compared to a typical one-off sensor combination sale from XXT historically being approximately $50k

New management, sales and support staff have been added, based in North Huston, many of whom were already known to Enteq

In Austin, Texas and in Amersham, UK, Enteq has established small serviced offices for the corporate and finance functions In the UK a corporate development resource has been added, this function includes early business development in the Eastern Hemisphere

Sales & Marketing

Prior to acquisition, XXT had no proactive sales process KMS, on acquisition, had an immature, non oil-field focused team of account managers The XXT sale is a very technically led sale, the core group of customers was very sophisticated technically, knew what they needed and liked to have in-depth technical discussions with the founders of XXT regarding their requirement New business was not actively sought out

Enteq is a very sales oriented organisation, with the CEO, COO and all senior management actively engaged in customer meetings and business development A sales team for XXT components and the Enteq MWD system has been established in Houston with appropriate technical sales support and experience Key members of the team have migrated from GE and, therefore, know the market and customers very well The team at KMS is still in transition to becoming fully developed and integrated, with team members having the appropriate industry knowledge

Sales programmes have been established which are successfully allowing Enteq to gain market share and enable migration to the Enteq system Trial periods are offered with purchase options Rental options are also offered in order to facilitate new customer entry

Some notable successes have been achieved For example one of the largest independent North American directional drillers decided to transition all of their existing GE/Tensor systems, initially to the XXT Downhole Interface Module, which is the processing core of the system, and potentially later to incorporate a broader range of Enteq's sensors

Internationally, an early success has been achieved with one of the largest independent Russian services companies agreeing a supply contract with Enteq and initial products supplied A broader technical partnership is under discussion Other near-term potential opportunities exist in China and Venezuela For these markets, however, additional formation evaluation sensors are required as part of the system, and Enteq is currently in negotiations to partner or license this technology

A common marketing communications approach has been taken across the Group, with corporate branding guidelines ensuring consistency across all presentational materials A common structure, design and lay-out of web-sites has been achieved and a unified marketing communication package introduced The global industry show, Offshore Technology Conference in Houston was attended in early May with a strong, unified presence established Enteq is a name the industry now recognises

Further Acquisitions

Enteq's vision and strategy to develop a global business with multiple technology solutions and differentiated product divisions remains clear Opportunities both to expand the range of products within the current drilling division and to find a suitable platform from which to build in parallel markets are continually explored

Current market conditions have led to a mismatch between opportunity and vendor price expectation, such that some of the opportunities explored are not appropriately priced, or are not available now

Broadening the existing product range for directional drilling is being aggressively pursued through internal investment in engineering resource, technology licensing or acquisition and investment in products more suited to a rental fleet for this market

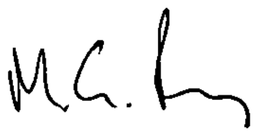
Conclusion

Enteq has been transformed in the last year from an investment shell into a leading supplier of MWD systems to a huge global market Acquisitions have been completed and integrated and step-change progress achieved within the product range offered to existing and potential customers

The image of the company is that of an international supplier of high quality and professional solutions

Challenging market conditions led to disappointing financial results for the first period of ownership of the acquired businesses However, the potential for medium term growth and financial performance has been enhanced during the year, with a great deal more still to do Improved trading is anticipated in the current financial year

Enteq's consistent strategy remains to buy, integrate and build high quality technology and products businesses for the upstream oil & gas industry, which has substantial market potential



Martin Perry

Chief Executive Officer

18 June 2013

Financial review

Introduction

The Group results incorporate 10 5 months trading for XXT and 8 5 months for KMS together with a full year of central operating costs No comparisons for the period to 31 March 2012 are made because no acquisitions had been completed during that period

Results

Year ended 31 March 2013	Division *$million*	*Group* *$million*	*Total* *$million*
Revenue	15 4	-	15 4
Gross profit	6 6	-	6 6
Overheads	(3 3)	(3 2)	(6 5)
Adjusted EBITDA	**3 3**	**(3 2)**	**0 1**
Release of contingent consideration	-	7 5	7 5
Transaction costs - exceptional item	-	(1 2)	(1 2)
Other exceptional items	-	(0 2)	(0 2)
Foreign exchange	-	(1 0)	(1 0)
Depreciation & amortisation	(0 5)	(5 4)	(5 9)
Interest	-	0 1	0 1
Profit/(loss) before tax	2 8	(3 4)	(0 6)
Tax	(0 1)	-	(0 1)
Profit/(loss) after tax	2 7	(3 4)	(0 7)

Revenues from XXT, as described in the Operating Review, were below pre-acquisition run rate KMS continued at its pre-acquisition level Gross profit margin at XXT, post acquisition, was in line with its pre-acquisition margin KMS's gross profit margin fell slightly during the reported period, in which the acquired businesses were being integrated

Overheads at XXT increased as the investments in enhanced production facilities and engineering resource were made At KMS there was no significant change from pre-acquisition levels Central overheads of $3 2m were incurred to support both the Group's operations and in continuing its buy-and-build strategy

The Group's operating businesses contributed an adjusted EBITDA of $3 3m for the period from acquisition to the year-end

Both of the acquisitions included elements of contingent consideration, which are payable if the businesses achieve agreed performance targets At completion, provisions for payment of the present value of the maximum potential sums are made in accordance with IFRS At the date of signing these financial statements the performance of the businesses against these targets are assessed Where management believes that these targets have or will not be reached, the provision is adjusted accordingly IFRS requires that where there is a change in market conditions post completion, any release of such provisions is shown in the Income Statement Accordingly the sum of $7 5m has been released as an exceptional credit

Transaction costs of $1 2m were incurred both in relation to the completed acquisitions ($1 0m) and to undertaking appraisals of potential transactions

The foreign exchange charge results from the movement in the GBP/USD exchange rate on the GBP cash balances held by Group following the completion of the acquisition of XXT

Amortisation is charged in respect of the acquired intangible assets and is charged over their estimated useful lives which are described on page 37

A tax charge of $0 1m arises in respect of Texas Franchise tax, which cannot be offset against tax losses which arise across the Group's operations

Balance sheet

The Group's assets and liabilities at the year-end were as follows

	2013	*2012*
As at 31 March	*$million*	*$million*
Goodwill	19 6	-
Plant & equipment	3 7	-
Intangibles	39 0	-
Net working capital	4 6	(1 1)
Cash	23 9	20 8
Contingent consideration	(3 4)	-
Net assets	87 4	19 7
Capital & reserves	87 4	19 7

The principal movements on the balance sheet result from the acquisitions which the Group has undertaken in the year (see below), together with the associated fundraising

Management carefully reviews the carrying value of goodwill arising on acquisitions This process involves 'impairment testing' in which the carrying value of goodwill is compared to the net present value of the expected future cashflows which derive from the acquired businesses The Board has concluded that these tests demonstrate sufficient headroom above the carrying values for these to be maintained without need for any impairment provision

Cash flows

	2013	2012
	$ million	*$ million*
Opening cash balances	20 8	-
Cash generated from operations	2 9	-
Capital raised (net of costs)	65 4	23 1
Acquisitions (including costs)	(60 6)	(0 9)
Central overheads	(3 6)	(1 3)
Foreign exchange movements	(1 0)	(0 1)
Closing cash balances	23 9	20 8

In addition to the cash balance shown above, the Group has a $15m Revolving Credit Facility in place with HSBC, which is available for working capital, capital expenditure and acquisitions

The principal movements in cash during the year comprised the inflow from equity issued and the initial consideration for the acquisitions of both XXT and KMS Cash conversion from operations was 87% Central overhead cash outflow included the payment of transaction fees incurred in the period ended 31 March 2012

Acquisitions

On 18 May 2012 Enteq completed the acquisition of substantially all of the assets of XXT Inc The initial consideration for the assets and business was $43 1m in cash and $3 0m in newly issued Enteq shares, as well as up to $8 0m in contingent consideration Details of the transaction are set out in Note 12 below

On 23 July 2012 Enteq announced further acquisitions of substantially all of the assets of M&R Industries and Pro-Flow Fabrication Technologies (together now referred to as Enteq-KMS) The initial consideration was $11 5m (payable in cash and was satisfied from Enteq's existing resources) as well as up to $6 0m in contingent consideration Enteq also acquired a 5-acre site from which the businesses operate for a cash consideration of $2 3m Details of the transaction are set out in Note 12

below

Financial Capital Management

The Group's financial position is robust The Group had no bank borrowings or other debt at the balance sheet date

In addition to holding cash balances of $23 9m (2012 - $20 8m), the Group secured a Revolving Credit Facility of $15m with HSBC during the year This flexible facility may be utilized to fund working capital, internal investments or acquisitions

The Group monitors cash balances and movements 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 share placings, substantially all other transactions are transacted in US dollars

The Group is subject to the foreign exchange rate fluctuations to the extent that it holds non-US Dollar cash deposits

Annual General Meeting

The Company's Annual General Meeting will be held on 11 September 2013 at 12 30 at 2 Gresham Street, London EC2V 7QP The formal notice is attached on page 63

Ian Leaman

Chief Financial Officer

18 June 2013

Review of principal risks and uncertainties

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

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

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

RISKS RELATING TO THE GROUP'S STRATEGY

Acquisition opportunities

The Group's strategy is dependent on successful identification and acquisition of suitable businesses There is no guarantee that such businesses will become available and considerable time and resources may be expended on specific acquisitions, which do not complete A strategy based partly on acquisitions also carries a range of risks including potential trading difficulties, previously undisclosed underperformance or other adverse matters, which may come to light only after acquisition Finally the Group may not be successful in realising all of the integration benefits which are anticipated on acquisition of a business

The Board actively monitors and assesses potential acquisitions in order to minimise the associated risks, and conducts detailed internal and third party diligence exercises prior to completing any acquisition The Group's strategy also emphasises achieving a balance of organic and growth through acquisitions, thereby lessening its reliance on growth by acquisition

Potential loss on investments

The Group's strategy also involves additional investment in acquired businesses, such as investing in new personnel, equipment, IT support and sales & marketing initiatives These investments carry a range of risks including disruption of existing businesses, intensive use of management resources, reduced financial returns and potential failure of any new personnel, systems or processes

To minimise the risks associated with such investments, management rigorously plans for, evaluates and manages all investments, both prior to and post investment Any divergence from these plans will result in management action to improve performance and minimise the risk of any impairments Executive management and the Board receive regular reports on the status of acquisition performance

INDUSTRY SPECIFIC RISKS

Fluctuations in oil and gas prices

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

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

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

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

Management and the Board, using their experience and judgement, 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

GROUP SPECIFIC RISKS

Dependence on key personnel

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

At this early stage in its development, 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

Dependence on key customers

The Group may be dependent on a relatively small number of key customers The loss of business with one of more of these key customers either to a competitor or through that customer developing its own equipment could have a significant effect on the Group's revenues

As well as active management of key customer relationships, the Group's strategy also involves broadening the customer base of acquired businesses, providing mitigation for any current dependence

NON-SPECIFIC RISK FACTORS

Health, Safety & Environment

Safety is one of our core priorities The Group is subject to a number of HS&E 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 HS&E 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 HS&E liabilities, to maintain compliance with current or future HS&E laws and regulations or to undertake any necessary remedy

The Board closely monitors safety reporting and HS& E compliance both at each monthly meeting and during visits to the Group's businesses

Infringement upon intellectual property rights

The intellectual property of an acquisition may infringe upon intellectual rights owned by third parties, who may challenge the Group's rights to these 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 confirms the validity of its intellectual property via thorough pre-acquisition due diligence and patent and trademark searches and will robustly defend any claims against it, if appropriate

Fluctuations in foreign currency

The Group derives revenue and incurs costs in a number of geographic markets and hence has an exposure to foreign currency fluctuations Whilst the Group will consider hedging a proportion of this risk through borrowing in relevant currencies, adverse movements in foreign currencies could lead to material adverse changes in the Groups' reported earnings

The Group reports its earnings and net assets in US Dollars, being the principal source and investment base, thereby mitigating the effects of fluctuations of US Dollar to Pounds Sterling exchange rates

The Group will adopt financial hedging strategies to mitigate these risks where appropriate, subject to the availability of suitable hedging products at appropriate cost

Business Interruption

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

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

Threats to Cyber security

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

The Group is mindful of the risk of cyber attacks and breaches of cyber security The Board has implemented an Information Risk Management Regime and the Group 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

Corporate social responsibility

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

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

The Group has implemented key policies in respect of

- Anti-bribery and Corruption
- 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 recent UK legislation introduced to prevent bribery

Investor Communications

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

Employees

Our employees are our most valuable asset and the Group recognises that its success and reputation depends upon their efforts, integrity and commitment Our employees create our competitive edge and we aim to ensure that our customers' expectations are met and exceeded Responsibility for employees lies with local management, which allows local cultural issues to be appropriately managed and the necessary development programmes to be structured accordingly It is vitally important for the Group to retain key employees, as well as attracting high quality individuals At 31 March 2013, the Group had 96 employees (2012 – 5)

During the year, a full Employee Handbook was published Policies include

- Adherence to all relevant local and jurisdictional laws about employment equality and minimum wage legislation
- Full and fair consideration is given to applications for positions from disabled persons and to their training and career advancement Every effort is made to retain in employment those who become disabled while employed by the Group
- A supportive work environment that promotes development, learning and advancement to ensure that its employees realise their potential
- An environment of honesty, integrity and respect for its staff and for those people and companies we work with daily
- Abiding by all international and local laws and regulations on employment
- Equal opportunities and zero tolerance approach to harassment within the workplace
- Additional benefits to staff to encourage the best performance from our employees Most employees are offered participation in schemes which provide share option awards and healthcare benefits and, in certain instances, participation in bonus arrangements when outperformance in terms of operational excellence has been achieved
- The Board is establishing a "Speak Up" procedure in place for any employee wishing to raise, in confidence, any concerns they may have about possible financial improprieties, breached of ethical business practices or other matters

Health and Safety

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

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

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

During the year, there were no fatalities across the Group's operations with 3 (2012 - nil) reportable incidents

Environment

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

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

Key aspects of our environmental policies include

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

Business Ethics

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

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

Report of the Directors

For the year to 31 March 2013

The directors present their report with the financial statements of the Group and the Company for the year to 31 March 2013

DIRECTORS

The directors who have held office during the year are as follows

Martin Perry **Chief Executive Officer**

Martin Perry (51 years old), formerly CEO of Sondex Martin entered the oil industry in 1984, initially as a field engineer after gaining an engineering degree at Exeter University Subsequently, Martin worked in the IT and Data Communications industry, before participating in a 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

Raymond Garcia **Chief Operations Officer**

Raymond Garcia (57 years old), formerly Senior VP of Sondex, Non-Executive Director of Tendeka and VP of Tucker Energy, an Americas-based multi-million dollar oilfield service company Responsible for revenue growth in the Americas from \$5m to \$200m at Sondex, Raymond played a strategic role in acquisitions and business development Raymond has a BSc, MSc & MBA from Houston Baptist University His early career was in oilfield services with what is now Baker Hughes with experience as country manager of several major territories including Nigeria and Venezuela

Ian Leaman **Chief Financial Officer** (appointed 30 April 2012)

Ian Leaman (51 years old), is a Chartered Accountant who qualified with Deloitte (then Touche Ross) Subsequently, Ian has held both Chief Financial Officer and advisory positions and has specialised in corporate finance, advising businesses in various sectors, both public and private, in acquisitions, disposals and fundraisings He is Vice-Chairman of the Institute of Chartered Accountants in England and Wales's Corporate Finance Faculty and is a Non-Executive Director of Octopus VCT3 plc

Neil Warner **Non-Executive Chairman**

Neil Warner (60 years old), Senior Independent Non-Executive Director of Dechra Pharmaceuticals plc and Non-Executive Director of Vectura Group plc Formerly Finance Director at Chloride Group plc, a position he held for 14 years until its acquisition by Emerson Electric Prior to this, Neil was at at Exel plc (formerly Ocean Group plc and acquired by Deutsche Post in December 2005) where he held a number of senior posts in financial planning, treasury and control He has also held senior positions in Balfour Beatty plc (formerly BICC Group plc), Alcoa and PricewaterhouseCoopers

Iain Paterson **Non-Executive Director**

Iain Paterson (66 years old), formerly Chairman of Sondex and ITE, Non-Executive Director of Hunting plc, Paladin Resources plc and ArmorGroup plc and of the Advisory Board of the Oman Oil Company, Iain has over 40 years experience in the oil industry He held senior management positions at BP and was a main Board director of Enterprise Oil plc Iain is currently a Non-Executive Director of MOL NyRt. Iain chairs the Company's Remuneration Committee

Robin Pinchbeck **Non-Executive Director**

Robin Pinchbeck (60 years old), is Non-Executive Director of iGas Energy plc Formerly Chairman of Sparrows Offshore Limited, Director of Strategy at Petrofac and Non-Executive Director of Sondex, EnQuest and of SLR Consulting Robin chairs the Company's Audit Committee

All the directors who are eligible offer themselves for election at the forthcoming first Annual General Meeting

Principal Activity

The principal activity of the group in the year under review was that of acquiring and consolidating companies providing specialist reach and recovery products and technologies to the upstream oil and gas services market

Review of Business

The results of the Group are set out in the Consolidated Income Statement on page 30 A review of the business is set out on pages 11 to 14

Dividends

No dividends will be distributed for the year ended 31 March 2013

Changes in the Group and its Interests during the Financial Year
See notes 12 and 19 which describe the acquisitions and equity funds raised in the year

Post Balance Sheet Events
There were no post balance sheet events

Risks and uncertainties
A review of the key risks and uncertainties affecting the Group is set out on pages 15 and 16 The Group's exposure to key financial risks is set out in Note 26 to the financial statements

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

Annual General Meeting
The Annual General Meeting of the Company will take place on 11 September, 2013 at 2 Gresham Street, London EC2V 7QP commencing at 12 30p m At the meeting, as well as routine matters, members will be asked to receive the Report of the Directors and Accounts, to re-appoint the Directors 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 On 18 May 2012 these powers were exercised when the Company issued 42 million new Ordinary shares, in connection with the acquisition of the business and net trading assets of XXT Inc

Share Capital
The Company's issued share capital comprises a single class, which is divided into Ordinary shares of 1p each, details of which are set out in note 19 of the financial statements As at 31 March 2013, there were 58,953,653 Ordinary shares in issue The movements in share capital during the year are set out in note 19 of this report

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 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 Shareholders rights to transfer shares are subject to the Company's Articles of Association

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

Shareholder	Number of Ordinary shares held	Percentage of issued Ordinary Shares
Soros Fund Management	5,395,000	9 2
Ruffer	5,205,688	8 8
M&G Investment Management	4,800,000	8 1
Hargreave Hale	3,445,688	5 8
Legal & General Investment Management	2,990,000	5 1
Investec Asset Management	2,875,000	4 9
Octopus Investments	2,870,675	4 8
Aviva Investors	2,677,844	4 5
Insight Investment	2,505,000	4 2
Artemis Investment Management	2,501,500	4 2
Threadneedle Investments	2,361,152	4 0

Charitable and Political Donations
During the year the Company made no Charitable or Political donations

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

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

Statement of Directors' Responsibilities
The directors are responsible for preparing the 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 elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws) 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,
- 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 and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Statement as to Disclosure of Information to Auditors
So far as each of the directors is aware, there is no relevant audit information of which the Group'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 group's auditors are aware of that information

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

Going Concern
The Group has significant cash resources and owns profitable, cash generative businesses with a range of products and customers As a consequence the directors believe that the group is well placed to manage its business risks successfully

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

Auditors

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

Signed on behalf of the Board

Ian Leaman

Company Secretary

18 June 2013

Remuneration Committee report

For the year to 31 March 2013

Introduction

The Company is AIM-listed and therefore is not legally required to set out its remuneration policy but it is doing so on a voluntary basis To the extent that such principles are relevant to the current circumstances of the Company, the provisions of inter alia the Directors' Remuneration Report Regulations 2008 and the UK Corporate Governance Code (September 2012) are taken into account As required by AIM Rule 19, the Company has disclosed the remuneration received by its directors during the financial period

Remuneration Committee

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

The constitution and operation of the Committee during the year has complied with the UK Corporate Governance Code's guidance on Directors' remuneration The terms of reference of the Committee are available on request

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 polices and healthcare

The Remuneration Committee has considered the requirements of the combined code 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 for appropriateness The Remuneration Committee will continue to monitor this policy going forward

Annual Bonus Plan

The annual grant of bonuses is conditional upon the achievement of targets by reference to agreed financial and personal performance measures The scheme is applicable to executive directors for the financial year ended 31 March 2013 Targets in this year for the executive directors were largely based on the achievement of personal targets Given the Group's financial and share price performance during the year, the Remuneration Committee deemed that payment of any bonuses would be not be appropriate Non-executive directors do not participate in any bonus plans

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 Long Term Incentive Plan All Group employees participate in the Plan, except for Martin Perry and Raymond Garcia (who have an alternative via Incentive Share ownership) and the Non-Executive Directors

Martin Perry and Raymond Garcia have acquired Incentive Shares and the other Directors have been awarded Share options in the amounts set out in the table below

Details of these plans are set out as relevant in Note 7 of these Consolidated Financial Statements

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

The annual remuneration rates of the directors in office during the year ended 31 March 2013 were as follows (all salaries denominated in £ Sterling have been converted to US dollars)

	Annual Salaries, Fees and Benefits 31/03/2013	Actual amounts paid during the year to 31/03/2013	Annual Salaries, Fees and Benefits 31/03/2012	Actual amounts paid during the period to 31/03/2012
M G Perry	$308,545	$308,545	$279,778	$208,189
R Garcia	$326,210	$326,210	$287,215	$251,380
I Leaman	$308,545	$285,470	-	-
Total - Executive	**$943,300**	**$920,225**	**$566,993**	**$459,569**
I S Paterson	$63,291	$63,291	$63,949	$47,586
R H Pinchbeck	$63,291	$63,291	$63,949	$47,568
N W Warner	$118,671	$118,671	$119,905	$89,224
Total – non executive	**$245,253**	**$245,253**	**$247,803**	**$184,396**
Total	**$1,188,553**	**$1,165,478**	**$814,796**	**$643,965**

In addition, I Leaman was awarded 50,000 ordinary shares, which resulted in a charge to the company of $190,000

Interests in share options and Incentive shares

	Number of Non-Executive Director Share Options at 31/3/13	Number of EMI Options at 31/3/13	Number of Incentive Shares at 31/3/13	Number of Non-Executive Director Share Options at 31/3/12	Number of Incentive Shares at 31/3/12	Vesting dates
I S Paterson	80,000	-	-	80,000	-	June 2014 and 2015
R H Pinchbeck	80,000	-	-	80,000	-	June 2014 and 2015
N W Warner	150,000	-	-	150,000	-	June 2014 and 2015
I D Leaman	-	525,000	-	-	-	May 2015
M G Perry	-	-	30,000	-	30,000	n/a
R Garcia	-	-	20,000	-	20,000	n/a
Total	310,000	525,000	50,000	310,000	50,000	n/a

No EMI Options had been issued at 31 March 2012

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 Non-Executive Director Share Option scheme was put in place in anticipation of the Company's IPO, in June, 2011 and was closed on completion of the Company's IPO in July, 2011 This Scheme does not conform to best practice as set out in The UK Corporate Governance Code However, the Directors believe that granting options under the Scheme was an appropriate incentive for the Non-Executive Directors, who committed significant time and bore personal reputational risk in undertaking the Company's IPO As a result of this the Non-Executive Directors are considered not to be independent There is therefore also no Senior Independent Non-Exectuive Director The Board will continue to monitor the need to appoint a Senior Independent Non-Exectuive Director, however at the current time the Board does not believe that this is necessary given the existing composition of the Board in relation to the size of the business

Interests in warrants

There were no interests held by directors or persons connected to the directors in warrants over shares in Enteq Upstream plc at 31 March 2013

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

Iain Paterson

Chairman of the Remuneration Committee

Corporate Governance report

This report for shareholders sets out Enteq Upstream PLC's approach to and compliance with the principles contained in the UK Corporate Governance Code published by the Financial Reporting Council in September 2012 and explains any departure from its provisions As an AIM listed Company, Enteq Upstream PLC is not obliged to follow the Code but the Board has determined that the Company will seek to follow the Code as far as practicable

Board Composition

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

		Board	*Audit committee*	*Remuneration committee*	*Nomination committee*
Raymond Garcia	Chief Operations Officer	Member			
Ian Leaman	Chief Financial Officer	Member			
Martin Perry	Chief Executive Officer	Member			
Iain Paterson	Non-Executive Director	Member	Member	Chairman	Member
Robin Pinchbeck	Non-Executive Director	Member	Chairman	Member	Member
Neil Warner	Non-Executive Director	Chairman		Member	Chairman

Martin Perry was appointed to the Board upon the Group's incorporation on 5 April 2011 Raymond Garcia was appointed to his current role on 24 May 2011 and Iain Paterson, Robin Pinchbeck and Neil Warner were appointed to their current roles on 26 May 2011 Ian Leaman was appointed interim Chief Financial Officer of the Group in November 2011 and appointed to his current role on 30 April 2012

In the period under review the Board met on 13 scheduled occasions, with additional meetings and conference calls held as deemed necessary

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

Board Evaluation

During the year a Board evaluation was carried out by the Non-Executive Directors The Board was regarded as effective and possessed sufficient skills and experience to enable the 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 As explained above the non-executive Directors are not considered to be independent and as such the composition does not meet the composition requirements of the Code at present Whilst no members of the committee have direct, recent financial experience they are considered to have the necessary skills to fulfil their duties based on their knowledge of, and experience of working in, our core market, combined with the availability of financial advice either externally or from Neil Warner as and when they require it The committee has met 5 times during the year under review

Responsibilities

The responsibilities of the Audit Committee include to

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

External audit

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

Grant Thornton UK LLP have been the Group's auditor since incorporation The Audit Committee is satisfied with their effectiveness and their independence and, given the short length of their tenure and the stage of the Group's development, has not considered it necessary to require an independent tender process

The committee closely monitors fees paid to the auditors in respect of non-audit services, which are analysed within note 9 In 2013, fees for non-audit services totalled $334k in comparison to audit fees of $127k 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 Whilst the non-audit fees are in excess of the audit fees in the current period, the committee are satisfied that there are adequate safeguards in place to ensure the independence of the auditor and this position will reverse in the near future

Internal audit

At the stage of the Group's development the Board do not consider it necessary or cost effective to employ a separate internal audit team The Group Financial Controller 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 has met once during the year under review

Nomination Committee

The Nomination Committee comprises solely of non-executive Directors of the Company and is responsible for reviewing and recommending executive and non-executive Board appointments for the Group

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

On 28 March 2012 the committee met to consider the appointment of Ian Leaman as Chief Financial Officer Following an evaluation exercise, Mr Leaman was appointed to the Board

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 As all the members of the board of directors were re-elected at last year's annual general meeting, none of them have to stand for re-election at this year's annual general meeting The current directors of the Company are eligible for re-election at the annual general meeting in 2015

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 Board considers that the Group complied in full with the Combined Code principles of Corporate Governance and Code of Best Practice for the whole year ended 31 March 2013, with the exception of the following provisions

- For the reasons identified in the Remuneration Committee Report above none of the Non-Executive Directors are considered to be independent. As such the Group was not compliant with provisions A.1 2, A4 1, B 1 1, B 1 2 or C 3 1,
- No members of the audit committee has direct, recent financial experience As such the Group was not compliant with provision C 3 1,
- For the reasons identified in the Remuneration Committee Report above the Remuneration Committee has not set upper limits on executive remuneration levels As such the Group was not compliant with the provisions in schedule A

Independent Auditor's Report to the members of Enteq Upstream Plc

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

We have audited the financial statements of Enteq Upstream plc for the year ended 31 March 2013 which comprise the consolidated income statement, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cashflows, the parent company balance sheet and the related notes The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 21, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2013 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP.

Nicholas Watson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Reading
16 June 2013.

Enteq Upstream plc
Consolidated Income Statement

	Notes	Year to 31 March 2013 $ 000's	Year to 31 March 2012 $ 000's
Revenue	4	15,368	-
Cost of Sales		(8,792)	-
Gross Profit		6,576	-
Administrative expenses before amortisation	9	(7,029)	(1,875)
Amortisation of acquired intangibles		(5,423)	-
Release of contingent consideration	6	7,493	-
Other exceptional items	6	(1,414)	(1,542)
Foreign exchange loss on operating activities		(948)	(116)
Total Administrative expenses		(7,321)	(3,533)
Operating loss		(745)	(3,533)
Finance income	8	158	220
Finance expense	8	(62)	-
Loss before tax		(649)	(3,313)
Tax expense	10	(60)	-
Loss for the period		(709)	(3,313)
Loss attributable to			
Owners of the parent		(709)	(3,313)
Earnings per share (in US cents):	11		
Basic		(1 33)	(28 78)
Diluted		(1 33)	(28 78)
Adjusted earnings per share (in US cents):	11		
Basic		(0 78)	(13 42)
Diluted		(0 78)	(13 42)

Consolidated Statement of Comprehensive Income	Year to 31 March 2013 $ 000's	Period to 31 March 2012 $ 000's
Loss for the period	(709)	(3,313)
Total comprehensive income for the period	(709)	(3,313)
Total comprehensive income attributable to		
Owners of the parent	(709)	(3,313)

Enteq Upstream plc

Consolidated Statement of Financial Position

	Notes	As at 31 March 2013 $ 000's	As at 31 March 2012 $ 000's
Assets			
Non-current			
Goodwill	*13a*	19,619	-
Intangible assets	*13b*	38,962	-
Property, plant and equipment	*14*	3,699	6
Non-current assets		62,280	6
Current			
Trade and other receivables	*16*	4,929	64
Inventories	*17*	3,751	-
Cash and cash equivalents	*18*	23,949	20,844
Current assets		32,629	20,908
Total assets		94,909	20,914
Equity and liabilities			
Equity			
Share capital	*19*	939	242
Share premium	*19*	90,395	22,766
Share based payment reserve		143	19
Retained earnings		(4,022)	(3,313)
Total equity		87,455	19,714
Liabilities			
Current			
Trade and other payables	*20*	4,093	1,200
Non-current			
Contingent Consideration	*21*	3,361	-
Total liabilities		7,454	1,200
Total equity and liabilities		94,909	20,914

The financial statements were approved by the Board of Directors on 18 June 2013 and were signed on its behalf by

Ian Leaman
Director

Enteq Upstream plc
Consolidated Statement of Changes in Equity

	Called up share capital $ 000's	Retained earnings $ 000's	Share premium $ 000's	Share based payment reserve $ 000's	Total equity $ 000's
Issue of share capital	697	-	69,059	-	69,756
Cost of share issue	-	-	(1,430)	-	(1,430)
Share based payment charge	-	-	-	124	124
Transactions with owners	697	-	67,629	124	68,450
Loss for the period	-	(709)	-	-	(709)
Total comprehensive income	-	(709)	-	-	(709)
Total movement	697	(709)	67,629	124	67,741
As at 1 April 2012	242	(3,313)	22,766	19	19,714
As at 31 March 2013	**939**	**(4,022)**	**90,395**	**143**	**87,455**

Issue of share capital	242	-	23,924	-	24,166
Cost of share issue	-	-	(1,158)	-	(1,158)
Share based payment charge	-	-	-	19	19
Transactions with owners	242	-	22,766	19	23,027
Loss for the period	-	(3,313)	-	-	(3,313)
Total comprehensive income	-	(3,313)	-	-	(3,313)
As at 31 March 2012	**242**	**(3,313)**	**22,766**	**19**	**19,714**

Enteq Upstream plc
Consolidated Statement of Cash Flows

	Year to 31 March 2013	Period to 31 March 2012
	$ 000's	*$ 000's*
Cash flows from operating activities		
Operating Loss before income tax	(709)	(3,313)
Net finance income	(96)	(220)
Share-based payment non-cash charges	124	19
Foreign exchange difference	949	116
Release of Contingent Consideration	(7,493)	-
Depreciation and Amortisation charges	5,951	2
	(1,274)	(3,396)
Increase in inventory	(1,042)	-
Increase in trade and other receivables	(941)	(64)
Increase in trade and other payables	566	1,121
Net cash from operating activities	(2,691)	(2,339)
Investing activities		
Purchase of businesses	(57,532)	(8)
Purchase of intangible fixed assets	(824)	-
Purchase of fixed assets	(320)	-
Interest received	96	220
Net cash from investing activities	(58,580)	212
Financing activities		
Share issue	66,755	24,165
Fund raising costs	(1,430)	(1,158)
Incentive share issue	-	80
Net cash from financing activities	65,325	23,087
Increase in cash and cash equivalents	4,054	20,960
Non-cash movements - foreign exchange	(949)	(116)
Cash and cash equivalents at beginning of period	20,844	-
Cash and cash equivalents at end of period	23,949	20,844

1 **NATURE OF OPERATIONS**

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

2 **GENERAL INFORMATION AND STATEMENT OF COMPLIANCE WITH IFRS**

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

3 **STANDARDS, AMENDMENTS AND INTERPRETATIONS OF ACCOUNTING POLICIES**

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

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

IFRS 9 Financial Instruments (effective 1 January 2015)
IFRS 10 Consolidated Financial Statements (effective 1 January 2013)
IFRS 11 Joint Arrangements (effective 1 January 2013)
IFRS 12 Disclosure of Interests in Other Entities (effective 1 January 2013)
IFRS 13 Fair Value Measurement (effective 1 January 2013)
IAS 19 Employee Benefits (Revised June 2011) (effective 1 January 2013)
Presentation of Items of Other Comprehensive Income - Amendments to IAS 1 (effective 1 July 2012)

4 **ACCOUNTING POLICIES**

Overall considerations

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

Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 March 2012 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 2012

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

Companies included in the consolidation

Name	Country of incorporation	Nature of business	Holding
Enteq Upstream USA Inc	United States of America	Holding company	100%
Enteq USA Holdco LLC	United States of America	Holding company	100%
Enteq XXT LLC	United States of America	Manufacturer of down hole drilling equipment	100%
Enteq KMS LLC	United States of America	Manufacturer of down hole drilling equipment	100%

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

Business combinations

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

Where the consideration for the business combination includes contingent consideration management assess the expected future liability based on the available information at the time of the acquisition, taking into account the expected probability of achieving the relevant conditions and milestones The expected liability is discounted to its present value and unwound over the life of the liability, with the impact of the unwinding included in finance costs over the life of the contingency At each reporting date management re-estimates the total consideration expected to be paid Where, during the first 12 months following the acquisition, a change in the estimated contingent consideration arises as a result of changes in underlying assumptions which should have been identified at the time of the acquisition, the acquisition accounting is adjusted to reflect this All other changes are reflected in profit or loss for the period

Basis of preparation

The financial statements have been prepared on the going concern basis under the historical cost convention, with the exception of contingent consideration which is carried at fair value, and are the group's first statutory accounts since incorporation

The board regularly reviews the Group's resources to ensure they are sufficient to continue trading for the foreseeable future It is therefore considered appropriate to use the going concern basis to compile these financial statements The main requirement is for sufficient financial resources to maintain the overhead required to fulfil the pipeline of business The Directors are also mindful of the potential impact of on-going acquisition and fund raising activities on the Group's resources and will manage the Group accordingly

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

Foreign currencies

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

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates of the transactions (spot exchange rate) Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year-end exchange rates are recognised in profit or loss The exchange rate used at the year-end is £1 $1 52 Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined

Segmental reporting

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

Revenue

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

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

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

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

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

Exceptional items relates to such categories as change to contingent consideration, acquisition related costs, charges relating to issues of shares, severance coats, and foreign exchange losses arising from translating the cash balance from the transactional currency to the functional currency of the Group

Intangible Assets and Goodwill

a) Goodwill

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

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

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

b) Other intangible assets

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

c) Research and Development Expenditure

Research expenditure is recognised as an expense when it is incurred Development expenditure is recognised as an expense except that expenditure incurred on development projects are 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

d) Amortisation

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

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

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

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

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

Property, plant and equipment
Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment Depreciation is provided on all tangible assets at rates calculated to write off the cost, less estimated residual value of each asset on a straight-line basis over useful economic life, as follows

Land	Not depreciated
Leasehold improvements	Over life of lease, or useful economic life, if shorter
Buildings	35 years
Production equipment	4 to 7 years
Other equipment	3 to 7 years

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

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

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

All financial assets are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired Different criteria to determine impairment are applied for each category of financial assets, which are described below All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other total administrative expenses

Loans and receivables

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

Inventories

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

Taxation

The charge for current income tax is based on the results for the period as adjusted for items that are non-assessable or disallowed It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet 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 balance sheet 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 statement of comprehensive income, 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 Other components of equity include the following

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

Share based payments
Certain non-executive directors receive remuneration in the form of share-based payment transactions, whereby they render services in exchange for rights over shares under the Non-Executive Director Share Options scheme These options vest in two equal tranches, in June 2014 and June 2015 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 binomial model taking into account different scenarios for the possible outcomes of the company's investment activities, using management's best estimates of these likely outcomes The total expense is based upon initial conditions and will crystallise smoothly over the vesting period without reassessment of the initial fair value The charge is annually reassessed, based on the total number of options expected to vest In addition, where there are changes to the terms of any agreements, the fair value is reassessed at that time The movement in cumulative expense is recognised in the profit and loss, with a corresponding entry to the share-based payment reserve

Incentive Shares
The Executive Directors have purchased 50,000 Incentive Shares The Incentive Shares only reward participants if shareholder value is created, thereby aligning the interests of the Executive Directors with those of shareholders The Incentive Shares carry the right to 12 5% of any increase above £2 million in the market value of the company after the initial flotation, allowing for the time-cost of money These options vest in two equal tranches, in June 2014 and June 2015, or earlier in the event of a takeover or winding-up of the Group The Incentive Shares do not carry any voting or dividend rights and are not transferable The total amount to be expensed over the vesting period of the Incentive Shares is determined by a 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 subject to any changes in service or non-market performance conditions The amounts subscribed for the Incentive Shares have been recognised as a current liability on the balance sheet as they become repayable if the Executive Directors leave office

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

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

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

Share premium	The costs that have been offset against the share premium are deemed to be wholly and exclusively for the issue of shares The directors have reviewed all costs in relation to the share issue and those that did not fully relate to the share issue have been recognised as an expense in the profit and loss
Acquired intangibles and goodwill	The Group uses the present value of future cash flows to determine implied fair value of the intangible assets arising on acquisition and hence in determining the residual goodwill In calculating the implied fair value, significant management judgement is required in forecasting relevant cash flows considering factors such as long-term growth rates, future margins, timing and quantum of future replacement capital expenditure, future tax rates and the selection of discount rates to reflect the risks involved If alternative management judgements were adopted then different recognition and impairment outcomes could result Management shall ensure that no reasonably possible change in any of the key assumptions would cause the carrying value of any CGU to materially exceed its recoverable amount
Functional currency of the parent	Management have considered a number of factors in order to determine the functional currency of the parent company After due consideration, management are of the opinion that this is US dollars Whilst the company is based in the UK, a number of key indicators have lead management to reach this judgement This includes, but is not limited, to the following key factors key strategic decisions, including those in relation to assessing acquisition on an on-going basis and reviews of historical financial information, are made based on information denominated in US$, negotiations over on-going negotiations are carried out in US$ and the company has funded its overseas subsidiary in a loan denominated in US$ Management also note that the company's strategy is to invest in services aligned to the oil and gas industry, an industry which trades principally in US$
Share based payment and incentive share costs	The share based payment costs and the incentive share costs have both been calculated based on different scenarios for the possible outcomes of the Group's investment activities using a binomial model The total expense is based upon initial conditions and will crystallise smoothly over the vesting period of three and four years
Impairment of intangible assets	An impairment test is carried out annually and involves a significant level of judgement regarding factors such as future growth rates Senior management base this judgement on the best available industry and market data at that point in time The critical judgements and estimates as set out in Note 13 As the Group strategy unfolds, these assumptions may change Any significant downward variance in the assumptions may result in an impairment
Contingent consideration	The likelihood and value of having to make any future payments to Vendors is based on judgements relating to the triggering events agreed with the Vendors, on acquisition These relate to the commercial performance of various products under development These assumptions will be verified over the course of the contingency periods, which are less than 18 months from the reporting date

5 SEGMENTAL REPORTING

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

The principal activities of the Drilling Tools division 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

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

The net assets of the Group can be analysed by geographic location (post-consolidation adjustments) as follows

	31 March 2013 *USD 000's*	31 March 2012 *USD 000's*
Europe (UK)	22,467	19,791
United States	64,989	(77)
Total Group net assets	87,456	19,714

The group's revenues are 100% attributable to the United States

All of the group's revenue arise from the sale of specialised parts and products for Directional Drilling and Measurement While Drilling operations

The group has no customers that contributed in excess of 10% of the group's total sales for the year (2012 none)

6 PROFIT AND LOSS ANALYSIS

The following analysis illustrates the performance of the Group's activities, and reconciles the Group's profit, as shown in the condensed consolidated interim income statement, to adjusted earnings Adjusted earnings is presented to provide a better indication of overall financial performance and to reflect how the business is managed and measured on a day-today basis The adjusted earnings before interest, taxation, depreciation and amortisation ("adjusted EBITDA") is also presented as it is a key management metric

	31 March 2013 *USD 000's*	31 March 2012 *USD 000's*
Loss attributable to ordinary shareholders	(709)	(3,313)
Tax Charge	60	-
Release of contingent consideration	(7,493)	-
Other exceptional items	1,414	1,542
Amortisation of acquired intangible assets	5,423	-
Foreign exchange movements	949	116
Adjusted earnings	(356)	(1,655)
Depreciation charge	528	2
Finance income	(96)	(220)
Adjusted EBITDA	76	(1,873)

The other exceptional items result from either from non-recurring transactions or acquisition related costs The total can be analysed as follows

	31 March 2013 *USD 000's*	31 March 2012 *USD 000's*
Acquisition related costs	1,162	1,542
Charge relating to issue of shares	190	-
Severance to employee of acquired business	62	-
Total exceptional items	1,414	1,542

The release of contingent consideration results from a review of the likelihood of the "trigger points" for payment to the vendors of the two acquired businesses being achieved The trigger points for XXT related to revenue growth and the commercialisation of various new products, whereas for KMS they related to revenue growth only In the view of the senior management, at the date of these accounts, in neither instance are all the trigger points likely to be reached Thus, in accordance with IFRS3 (revised), the corresponding elements of the initial contingent consideration have been released to the Profit and Loss account This is on the basis that the factors influencing the achievability of these trigger points have changed since the date of acquisition See Note 21 for further details

7 EMPLOYEES AND DIRECTORS

	31 March 2013 USD 000's	31 March 2012 USD 000's
Wages and salaries	3,771	655
Social security costs	359	65
Equity settled transactions	124	19
Pension and health costs	358	-
	4,612	739

The average monthly number of employees during the period since the acquisitions (see note 12) was as follows

	No	No
Directors	6	5
Senior management	7	-
Sales & marketing	8	-
Manufacturing & Technical	69	-
Finance & administration	6	-
	96	5

	USD 000's	USD 000's
Directors' remuneration	1,355	644
Information regarding the highest paid director is as follows		
Emoluments	475	251

The directors are deemed to be 'Key Management' This is detailed further in Note 24 Further details of emoluments paid to directors, including details of the highest paid director are contained in the Remuneration Committee report on pages 23 to 25

<u>Share plans</u>

Non-executive director options

The Group has an equity-settled share option scheme Options are exercisable at a price of 100p The vesting periods are shown below The total amount to be expensed over the vesting period is determined by reference to the fair value at the date at which the options are granted It is assumed that all options will vest The fair value is determined using a binomial model which assesses the likelihood of the company achieving certain goals in line with its strategy, ranging from failure to make any investments and return of funds to investors, to achieving various rates of acquisitive growth The cashflows attached to these different scenarios are discounted over the vesting period at an annual rate of 14% and contribute to the estimated value of the company in line with each scenario's assessed weighting of likelihood of occurrence The value of each share in issue is therefore estimable and the consequent value to option holders calculable following their payment of the exercise price

Details of the share options outstanding at the end of the year are shown on page 24

Incentive Shares

Certain Executive Directors have also subscribed to Incentive Shares with a base cost of $79,937 The Incentive Shares only reward participants if shareholder value is created, thereby aligning the interests of the Executive Directors with those of shareholders The Incentive Shares carry the right to 12 5% of any increase in the value of the company in excess of £2 million GBP above the net asset value of the company adjusted for placings The Incentive Shares do not carry any voting or dividend rights and are not transferable except in limited circumstances The Incentive Shares have been treated as an equity settled share based payment However, since the initial $79,937 is potentially repayable to the shareholders, this amount is treated as a liability The total amount to be expensed over the vesting period of the Incentive Shares is determined by reference to the fair value at the date at which the Incentive Shares were acquired The holders of the Incentive Shares can realise value from the shares by converting them into Ordinary Shares, vesting in two tranches in June 2014 and June 2015

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

The valuation of Incentive Shares was determined by running a series of scenarios which used variables of the amount of acquisitive growth and return on the capital raised in the initial IPO The scenarios incorporated the management's assessment of the likelihood of each scenario occurring and its associated cashflows, each cashflow being weighted accordingly after being discounted at a rate of 14% per annum It has also been assumed that there will not be any early exercise of Incentive Shares

If the Incentive shares had become convertible on 31 March 2013, based on the share price on that day no entitlement to Ordinary Shares would have arisen due to the value of the company not having increased by at least £2 million The Incentive Shares will immediately vest on change of control following a takeover

Employee Share Option Plan
The Group has established a share option plan that entitles all employees to purchase shares in the Company See note 22 for further details

8. NET FINANCE INCOME

	31 March 2013 USD 000's	31 March 2012 USD 000's
Deposit account interest	158	220
Unwind of contingent consideration discount	(62)	-
Net Finance income	96	220

9 LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging

	31 March 2013 USD 000's	31 March 2012 USD 000's
Depreciation of tangible assets	528	2
Amortisation of intangible assets	5,423	-
Auditors' remuneration		
- Fees payable to the company's auditor for the audit of the company's and group's annual accounts	127	48
- Tax advisory services	123	53
- Corporate finance services	212	283
Share based payments	124	19
Foreign exchange losses	949	116
Losses on disposal of fixed assets	4	-

10 INCOME TAX

Analysis of tax expense
No liability to UK corporation tax arose on ordinary activities for the period

Factors affecting the tax charge
The tax assessed for the period is different from to the standard rate of corporation tax in the UK The difference is explained below

	31 March 2013 USD 000's	31 March 2012 USD 000's
Loss on ordinary activities before tax	(709)	(3,313)

Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24% (2012 26%)	(170)	(861)
Effects of		
Tax losses to carry forward	170	861
Texas State Franchise Tax	60	-
Total income tax	60	-

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 $3 0m, United States $3 5m (2012 UK $0 5k) There were no significant deferred tax liabilities

11 EARNINGS PER SHARE AND DIVIDENDS

Basic earnings per share

Basic earnings per share is calculated by dividing the loss attributable to ordinary shareholders for the year of $709k (Period to 31 March 2012 loss of $3,313k) by the weighted average number of ordinary shares in issue during the year of 53,178k (31 March 2012 11,511k)

Adjusted earnings per share

Adjusted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders, excluding exceptional items, amortisation of intangible assets and foreign exchange profits or losses for the year of a loss of $416k (Period to 31 March 2012 loss of $1,544k), by the weighted average number of ordinary shares in issue during the year of 53,178k (31 March 2012 11,511k)

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 and the adjusted diluted EPS the same as adjusted EPS

The adjusted diluted earnings per share information are considered to provide a fairer representation of the Group's trading performance

A reconciliation between basic earnings and adjusted earnings is shown below

March 2013
EPS

	Earnings	Weighted average number of shares	Per-share amount
	USD 000's	*USD 000's*	US cents
Loss attributable to ordinary shareholders	(709)	53,178	(1 33)
Foreign exchange movements	949	-	-
Amortisation of intangible assets	5,423	-	-
Release of contingent consideration	(7,493)	-	-
Other exceptional items	1,414	-	-
Adjusted	(416)	53,178	(0 78)

March 2012
EPS

	Earnings	Weighted average number of shares	Per-share amount cents
	USD 000's	*USD 000's*	US cents
Loss attributable to ordinary shareholders	(3,313)	11,511	(28 78)
Foreign exchange movements	148	-	-
Amortisation of intangible assets	-	-	-
Exceptional items	1,620	-	-
Adjusted	(1,545)	11,511	(13 42)

During the year Enteq Upstream Plc did not pay any dividends (2012 nil)

12 ACQUISITION OF SUBSIDIARIES

XXT Incorporated

On 18 May 2012, the Group acquired substantially all of the operating assets and certain liabilities of XXT Incorporated, a California based business specialising in the design and manufacture of high-quality, ruggedized electronic equipment for use in the energy exploration and services sector of the Oil and Gas industry

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group, in respect of this acquisition

	XXT carrying value	Adjustments	Fair value
	USD 000's	USD 000's	USD 000's
Property, plant and equipment	149	(31)	117
Other intangibles	-	35,879	35,879
Inventory	804	-	804
Other working capital	2,046	(700)	1,346
Cash and cash equivalents	370	-	370
Net assets acquired	3,369	35,148	38,517
Goodwill arising on acquisition	-	15,127	15,127
	3,369	50,275	53,644
Consideration paid and costs incurred			
Consideration satisfied in cash to Vendors			39,091
Payment to escrow account			4,004
Working capital adjustment			1,362
Total cash payments			44,457
Satisfied in shares			3,000
Contingent consideration (less than one year)			3,093
Contingent consideration (greater than one year)			3,094
Total consideration incurred			53,644
Consideration paid in cash			43,095
Cash acquired			(370)
Total net cash outflow			42,725

Other Intangibles

The total of $35 9m of other intangible assets can be analysed as follows

Developed technology	9,857
Intellectual Property and R&D technology	4,439
Brand name	1,240
Customer relationships	15,285
Non-compete agreements	5,058
	35,879

Consideration transferred

The acquisition was settled in cash amounting to $44 5m, and new ordinary shares with a market value at the date of acquisition of $3 0m

The purchase agreement also included additional contingent consideration of up to $8 0m payable in two annual instalments following the closing date, should certain performance targets be met. The total amount payable is based on revenue growth and volumes of product sales in the future and range from $nil to $8 0m Management have estimated the total amounts expected to be paid based on forecasts for the business and their judgement.

Acquisition-related costs amounting to $0 4m are not included as part of consideration transferred and have been recognised as an expense in the consolidated income statement, as part of other exceptional items, so far as they were incurred in the period

Deferred tax

The identified intangible assets are expected to be fully deductible for tax purposes Hence no deferred tax arises on the recognition of these assets

XXT's notional contribution to the Group results

From the date of acquisition to 31 March 2013, the business has contributed $6 8m to Group revenue and $1 2m to loss before tax, after exceptional items If the acquisition had occurred on 1 April 2012, the business would have contributed $7 8m to Group revenue and $1 5m to loss before tax.

Goodwill of $15 1m, recognised on this acquisition, relates to certain assets that cannot be separately identified These items include sector knowledge and the anticipated future profitability that the Group can bring to the business acquired

M&R Industries, Ltd and Pro-Flow Fabrications Technologies, Ltd (together known as KMS)

On 23 July 2012, the Group acquired, through its indirect wholly-owned subsidiary, Enteq KMS LLC, substantially all of the business and assets and some of the liabilities of M&R Industries, Ltd and Pro-Flow Fabrication Technologies, Ltd for an initial consideration of $11 5m M&R (using the trading name KM Services) and Pro-Flow, manufacture and sell specialised parts and products for Directional Drilling and Measurement While Drilling operations

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group, in respect of this acquisition

	KMS carrying value	Adjustments	Fair value
	USD 000's	*USD 000's*	*USD 000's*
Property, plant and equipment	3,784	-	3,784
Other intangibles	-	7,682	7,682
Inventory	1,980	(293)	1,687
Other working capital	550	(84)	466
Cash and cash equivalents	250	-	250
Net assets acquired	6,565	7,305	13,869
Goodwill arising on acquisition	-	4,492	4,492
	6,565	11,797	18,361

Consideration paid and costs incurred	
Consideration satisfied in cash	10,200
Payment to escrow account (present value)	1,239
Total cash payments	11,439
Purchase of additional land	2,254
Contingent consideration (less than one year)	2,334
Contingent consideration (greater than one year)	2,334
Total consideration incurred	18,361

Consideration paid in cash	11,439
Cash acquired	(250)
Total net cash outflow	11,189

Other Intangibles

The total of $7 7m of other intangible asset can be analysed as follows

Developed technology	1,507
Customer relationships	5,301
Non-compete agreements	874
	7,682

Consideration transferred
The acquisition was settled in cash amounting to $11 4m

The purchase agreement also included additional contingent consideration of up to $6 0m payable in two annual instalments following the closing date should certain performance targets be met The total amount payable is based on volumes of product sales in the future and range from $nil to $6 0m Management have estimated the total amounts expected to be paid based on forecasts for the business and their judgement

Acquisition-related costs amounting to $0 6m are not included as part of consideration transferred and have been recognised as an expense in the consolidated income statement, as part of other exceptional expenses, so far as they were incurred in the period

Deferred tax
The identified intangible assets are expected to be fully deductible for tax purposes Hence no deferred tax arises on the recognition of these assets

KMS's notional contribution to the Group results
From the date of acquisition to 31 March 2013, the business has contributed $8 6m to Group revenue and $3 6m to profit before tax, after exceptional items If the acquisition had occurred on 1 April 2012, the business would have contributed $12 1m to Group revenue and $4 8m to profit before tax

Goodwill of $4 5m, recognised on this acquisition, relates to certain assets that cannot be separately identified These items include sector knowledge and the anticipated future profitability that the Group can bring to the business acquired

13 INTANGIBLE ASSETS

a) Goodwill

	USD 000's
Cost	
On acquisition of XXT	15,127
On acquisition of KMS	4,492
As at 31 March 2013	19,619
Impairment	
Charge for the year	-
As at 31 March 2013	-
Net Book Value	
As at 31 March 2013	19,619

b) Other Intangible Fixed Assets

	Developed technology	IPR&D technology	Brand names	Customer relationships	Non-compete agreements	Total
	USD 000's	*USD 000's*	*USD 000's*	*USD 000's*	*USD 000's*	*USD 000's*
Cost						
On acquisition of XXT	9,857	4,439	1,240	15,285	5,058	35,879
On acquisition of KMS	1,507	-	-	5,301	873	7,681
Capitalised in period	-	824	-	-	-	824
As at 31 March 2013	11,364	5,263	1,240	20,586	5,932	44,384
Amortisation						
Charge for the year	2,306	555	54	1,500	1,007	5,422
As at 31 March 2013	2,306	555	54	1,500	1,007	5,422
Net Book Value						
As at 31 March 2013	9,058	4,708	1,186	19,086	4,924	38,962

The main categories of Intangible Fixed Assets are as follows

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

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

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

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

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

The acquisitions XXT and KMS were part of the Group's strategic plan and were completed in anticipation of one another, with common synergies identified Management are of the opinion that the value of these synergies is proportional to the value of each business As such the goodwill attributable to each CGU is considered to be consistent with the goodwill arising on each acquisition

Goodwill and Impairment

The goodwill of $196 million relates to certain assets that cannot be separately identified due to their nature These items include sector knowledge and the anticipated future profitability that the Group can bring to the businesses acquired The split by cash-generating units, ("CGUs") is shown in note 13a

The Group tests goodwill annually for impairment The carrying value of goodwill represenst amounts related to both XXT and KMS, the CGUs

The recoverable amounts of the CGUs are determined from value in use calculations For both CGUs, the key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period Management estimates discount rates using pre-tax rates that reflect current market assessment of the time value of money and the risks specific to the CGUs The growth rates are based on management forecasts for the four years to March 2017 Cash flow forecasts are prepared from the most recent financial plans approved by the Board

The forecasts for XXT assume annual growth rates of 19% to 56% until 2017 The forecasts for KMS assume annual growth rates of 10% to 15% until 2017 The growth rates for both CGU's post 2017 are assumed to be nil.

These long-term growth rates do not exceed the long-term average growth rates for the industry as a whole

The forecasts used for the period up to March 2017 show significant growth rates for both XXT and KMS These growth rates are supported by the following, which impact on both companies (unless otherwise stated)

- the impact of the first full year of ownership
- Introduction of new products (XXT)
- Focus on higher value/higher margin products (KMS)
- Recovery of North America drilling market
- Impact of the new American Regional Office

The pre-tax rate used to discount cash flow forecasts is 18 1% for KMS and 17 4% for XXT Management regard these discount rates as being appropriate for each CGU They are a result of the risks and markets each CGU operates within as well as the stage of maturity of each business They are based on analysis of similar companies within the sector in which they operate
The Group has conducted a sensitivity analysis which analyses the impact on key impairment test assumptions arising from a range of factors that could affect trading and economic scenarios These have been reviewed for both CGUs, with the result that a change in one of the key assumptions in excess of the following parameters would result in an impairment

- An increase in the discount rate by 1% for KMS or 5% for XXT, or
- A decrease of 3% for KMS or 18% for XXT on future revenues, with no offsetting cost savings over the term for the CGU's

The factors relating to the release of the contingent consideration do not result in an impairment due to the relatively short term nature of the factors influencing the triggering of the payments

Intangible assets

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

Amortisation

All categories of intangible assets, apart from Goodwill, are being amortised over their respective useful lives, on a straight line basis These are set out in the Accounting Policies note (above)

14 PROPERTY, PLANT AND EQUIPMENT

	Land	Leasehold improvements	Buildings	Production Equipment	Other Equipment	Total
	$000's	*$000's*	*$000's*	*$000's*	*$000's*	*$000's*
Cost						
As at 1 April 2012	-	-	-	-	8	8
Acquisition through business combination	461	3	2,064	1,266	108	3,902
Additions	-	135	2	25	165	327
Disposals	-	-	-	-	(13)	(13)
As at 31 March 2013	461	138	2,066	1,291	268	4,224
Depreciation						
As at 1 April 2012	-	-	-	-	2	2
Charge for the year	-	16	58	377	77	528
Disposals	-	-	-	-	(5)	(5)
As at 31 March 2013	-	16	58	377	74	525
Net Book Value						
As at 31 March 2012	-	-	-	-	6	6
As at 31 March 2013	461	122	2,008	914	194	3,699

	Land	Leasehold improvements	Buildings	Production Equipment	Other Equipment	Total
	$000's	*$000's*	*$000's*	*$000's*	*$000's*	*$000's*
Cost						
Additions	-	-	-	-	8	8
As at 31 March 2012	-	-	-	-	8	8
Depreciation						
Charge for the period	-	-	-	-	2	2
As at 31 March 2012	-	-	-	-	2	2
Net Book Value						
As at 31 March 2012	-	-	-	-	6	6

15 DEFFERED TAX

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

As disclosed in Note 10, deferred tax assets of $3 0m (UK) and $3 5m (US) - 2012 UK $0 5m, in relation to losses carried forward have not been recognised

16 TRADE AND OTHER RECEIVABLES

	31 March 2013	31 March 2012
	$000's	*$000's*
Trade receivables	4,557	-
Prepayments	347	64
Other receivables	25	-
	4,929	64

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

Bad debt provision	31 March 2013
	$000's
As at 1 April 2012	-
On acquisition	724
Additions - charged to income statement	-
Allowances used	(74)
As at 31 March 2013	650

Aging profile of unprovided trade receivables	31 March 2013
	$000's
Not past due	2,467
Past due 31-90 days	1,974
Past due 91-120 days	54
Past due more than 120 days	62
	4,557

17 INVENTORIES

	31 March 2013	31 March 2012
	$000's	*$000's*
Raw Materials	1,139	-
Work in progress	664	-
Finished goods	1,948	-
	3,751	-

18. CASH AND CASH EQUIVALENTS

	31 March 2013	31 March 2012
	$000's	*$000's*
Denominated in USD	18,111	171
Denominated in GBP	5,838	20,673
	23,949	20,844

19 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid

	Number	*Class*	*Nominal value*	*Share Capital*	*Share Premium*
				USD	USD
As at 1 April 2012	15,050,200	Ordinary	GBP 0 01	241,658	23,923,829
18 May 2012	42,000,000	Ordinary	GBP 0 01	666,532	65,997,941
18 May 2012	1,853,453	Ordinary	GBP 0 01	30,000	2,970,000
31 May 2012	50,000	Ordinary	GBP 0 01	779	90,731
	58,953,653			938,969	92,982,501
Costs associated with share issue	-			-	(2,587,852)
As at 31 March 2012	58,953,653			938,969	90,394,649

All shares issued carry the same voting rights

Proceeds received in addition to the nominal value of the shares issued during the period have been included in share premium, less registration and other regulatory fees and net of related tax benefits The costs associated with the above share allotment were $2,587,852 These costs have been deducted from share premium

On 18 May 2012, 42,000,000 ordinary shares of 1p each were issued at GBP 1 00 per share in relation to the fundraising required for the acquisition of the operating assets and certain liabilities of XXT Incorporated Also on this day 1,853,483 ordinary shares of 1p each were issued at GBP 1 00 per share to the vendors of the operating assets and certain liabilities of XXT Incorporated

On 31 May 2012, 50,000 ordinary shares of 1p each were issued at GBP 1 00 per share to I D Leaman in relation to his appointment as Chief Financial Officer

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

Details of the incentive shares are included in note 7

20 TRADE AND OTHER PAYABLES

	31 March 2013 *$000's*	31 March 2012 *$000's*
Accrued expenses	772	1,083
Trade payables	2,425	13
Social security and other taxes	39	24
Other creditors	857	80
	4,093	1,200

The management believe the carrying value is an approximation of the fair value The average creditor days for the period ending 31 March 2013 is 54 days (2012 1 day)

21 NON-CURRENT LIABILITIES - OTHER PAYABALES

	31 March 2013 *USD 000's*
Contingent consideration	
On acquisition of the business of XXT Incorporated (see note 12)	6,186
On acquisition of the business of M&R Industries, Ltd and Pro-Flow Fabrications Technologies (see note 12)	4,668
Release of the above no longer considered payable	(7,493)
	3,361

The contingent consideration, on acquisition, related to payments due to the vendors on the acquired businesses meeting various performance targets over the two years from the date of acquisition Elements of these targets are no longer likely to be met, and have been released through the profit and loss account.

22 EMPLOYEE BENEFITS

The Group has established a share option plan that entitles all employees to purchase shares in the Company, During the year to 31 March 2013, grants under the plan were made In accordance with the scheme rules options are exercisable at the market price of the shares at the date of the grant once all vesting conditions have been met Options vest after three years from the date of grant and expire after ten years

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

	Weighted average exercise price (pence)	*Number of options*
Outstanding at the beginning of the period	100 0	310,000
Granted during the period	110 2	1,449,500
Forfeited during the period	117 5	(127,500)
Outstanding at the end of the period	107 7	1,632,000
Exercisable at the end of the period	-	-

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.

	Grant date 29 May	*Grant date 31 May*	*Grant date 24 August*	*Grant date 11 November*	*Grant date 4 February*	*Grant date 11 February*	*Grant date 26 February*
Fair value for option at grant date (pence)	14 9	14 6	14 2	15 0	15 3	18 5	16 9
Weighted average share price at date of grant (pence)	117 5	117 5	117 5	98 5	63 0	74 5	68 0
Weighted average exercise price	117 5	117 5	117 5	98 5	63 0	74 5	68 0
Expected volatility	13%	13%	12%	17%	31%	32%	32%
Option life	3 years	3 years	3 years	3 years	3 years	3 years	3 years
Risk free interest rate	2 5%	2 5%	2 5%	2 5%	2 5%	2 5%	2 5%

The expected volatility is based on the historic volatility

During the year USD72k has been included within the income statement as a charge, for the above options The charge of $124k shown in note 7 includes the additional charges for both the non-executive share options and the incentive share options

23 OPERATING LEASES

The Group has lease agreements in respect of properties and office 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 2013	Property	Other	Total
	$000's	*$000's*	*$000's*
Within one year	323	-	323
Within two to five years	477	-	477
	800	-	800

24 RELATED PARTY DISCLOSURES

Transactions with key management personnel

The remuneration of the current directors (including Ian Leaman who was appointed on 30 April 2012), who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related party disclosures' Further information about the remuneration of individual Directors is provided in the remuneration committee report Incentive Shares were issued to some of the directors as detailed in Note 7

	31 March 2013	31 March 2012
	$000's	*$000's*
Short-term employee benefits	1,355	877
Share-based payments	75	19
	1,430	896

25 ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party

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

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

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

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

A 1% increase in interest rates, on the balances held on deposit at the year end, would result in an increase in finance income of $223k per annum The year balances were chosen due to the highly fluctuating level of cash during the year

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 an increased in foreign exchange gain of $58k Again, the year balance was chosen due to the highly fluctuating level of GBP denominated cash held during the year

Liquidity risk
The Group manages its liquidity risk by ensuring that the balances of cash on deposit gives it sufficient access to liquid funds to meet both its immediate and longer term needs In addition, the group regularly reviews the access to commercial bank lines of credit At the year end the group had a $15m RCF agreed with its relationship bank, HSBC

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 The group has access to a $15m RCF with its relationship bank, which as at the date of these accounts is undrawn

Details of the current equity structure can be seen on the Consolidated Statement of Financial Position

No changes were made in the objectives, policies or processes during the years ending 31 March 2013

Estimation of fair values

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

Contingent consideration

Fair value is calculated based on discounted expected future cash flows This valuation is based on information pertinent only to the group and not on observable market data This is, therefore, a level 3 valuation based on the heirachy in IFRS7

Trade and other receivables/payables

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

The only allowance 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 balance sheet relate to the following IAS 39 categories

31 March 2013	*Other Financial Liabilities*	*Non-Financial Liabilities*	*Fair value through profit or loss*	*Total for Balance Sheet heading*
	$000	*$000*	$000	*$000*
Balance sheet headings - liabilities				
Trade payables	2,425	-	-	2,425
Social security and other taxes	-	39	-	39
Other creditors	857	-	-	857
Accrued expenses	772	-	-	772
Contingent consideration	-	-	3,361	3,361
Total	4,054	39	3,361	7,454

31 March 2013	*Loans and receivables*	*Non-Financial Assets*	*Fair value through profit or loss*	*Total for Balance Sheet heading*
	$000	*$000*	$000	*$000*
Balance sheet headings - assets				
Trade receivables	4,557	-	-	4,557
Prepayments	-	347	-	347
Other receivables	25	-	-	25
Cash and cash equivalents	23,949	-	-	23,949
Total	28,531	347	-	28,878

31 March 2012	*Other Financial Liabilities*	*Non-Financial Liabilities*	*Fair value through profit or loss*	*Total for Balance Sheet heading*
	$000	*$000*	*$000*	*$000*
Balance sheet headings - liabilities				
Trade payables	13	-	-	13
Social security and other taxes	-	24	-	24
Other creditors	80	-	-	80
Accrued expenses	1,083	-	-	1,083
Total	1,176	24	-	1,200

31 March 2012	Loans and receivables	Non-Financial Assets	Fair value through profit or loss	Total for Balance Sheet heading
	$000	$000	$000	$000
Balance sheet headings - assets				
Prepayments	-	64	-	64
Cash and cash equivalents	20,844	-	-	20,844
Total	20,844	64	-	20,908

The directors are of the opinion that there is no material difference between the book value and the fair value of any of the Group's assets or liabilities

The contractual maturity of all financial liabilities are as follows

	Within 3 months	3 to 12 months	12 to 18 months
	$000's	$000's	$000's
31 March 2013	4,054	-	3,361
31 March 2012	1,176	-	-

27 CAPITAL COMMITMENTS

Other than those included in the statement of financial position, there were no material capital and 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

No adjusting events have occurred

Enteq Upstream plc
Company Balance Sheet

	Notes	31 March 2013 *$ 000's*	31 March 2012 *$ 000's*
Fixed assets			
Tangible Fixed Assets	*3*	12	3
Investments	*4*	23,285	-
		23,297	3
Current assets			
Debtors	*5*	3,326	965
Cash and cash equivalents	*6*	22,543	20,673
		25,869	21,638
Debtors amounts falling due after one year			
Inter-company loan notes	*7*	37,928	-
Creditors amounts falling due within one year			
Trade and other payables	*8*	(406)	(946)
Total assets less current liabilities		86,688	20,695
Capital and reserves			
Called up share capital	*9*	939	242
Share premium	*9*	90,395	22,766
Share based payment reserve		144	19
Retained earnings		(4,790)	(2,332)
Total equity		86,688	20,695

The financial statements were approved by the Board of Directors on 18 June 2013 and were signed on its behalf by

Ian Leaman
Director

Notes to the company balance sheet

For the year to 31 March 2013

1 SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting
Enteq Upstream plc is a company incorporated in the United Kingdom under the Companies Act 2006 The address of the registered office is given in the Company Information found on page 1

Statement of compliance
The separate financial statements of the Company are presented as required by the Companies Act 2006 They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accepted Accounting Practice ('UK GAAP') and law

Basis of preparation
The financial statements have been prepared on a going concern basis under the historical cost convention and are the Company's first statutory accounts since incorporation

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 therewith 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

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

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

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

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

Computer equipment	3 years
Office equipment	1 year

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

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

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

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 Other components of equity include the following

The profit and loss account includes all current and prior period retained profits All transactions with the owners 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

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 Balance Sheet date

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet 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 Balance Sheet date Timing 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
The Company has applied the requirements of FRS 20 'Share-based payments' Certain non-executive directors receive remuneration in the form of share-based payment transactions, whereby they render services in exchange for rights over shares under the Non-Executive Director Share Options scheme These options vest in two equal tranches, in June 2014 and June 2015 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 binomial 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 reanalysis for subsequent events The movement in cumulative expense is recognised in the profit and loss, with a corresponding entry to the share-based payment reserve

Incentive Shares
The Executive Directors have purchased 50,000 Incentive Shares The Incentive Shares only reward participants if shareholder value is created, thereby aligning the interests of the Executive Directors with those of shareholders The Incentive Shares carry the right to 12 5% of any increase above £2 million in the market value of the company adjusted for placings These options vest in two equal tranches, in June 2014 and June 2015, or earlier in the event of a takeover or winding-up of the Group The Incentive Shares do not carry any voting or dividend rights and are not transferable The total amount to be expensed over the vesting period of the Incentive Shares is determined by a 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 subject to any changes in service or non-market performance conditions The amounts subscribed for the Incentive Shares have been recognised as a current liability on the balance sheet as they become repayable if the Executive Directors leave office

Cash Flow Statement
The Company has taken advantage of the exemption from preparing a Cash Flow Statement under the terms of FRS 1 (Revised) 'Cash Flow Statements' because it prepares a Consolidated Cash Flow Statement which is shown on page 33 of the accounts

2 PROFIT FOR THE YEAR

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the company is not presented as part of these financial statements The parent company's loss for the financial year was $2,446,272 (2012 $2,216,217)

3 TANGIBLE FIXED ASSETS

	Computer equipment *$000's*	Office equipment *$000's*	Total *$000's*
Cost			
As at 1 April 2012	3	-	3
Additions	8	5	13
As at 31 March 2013	11	5	16
Depreciation			
As at 1 April 2012	1	-	1
Charge for the year	2	1	3
As at 31 March 2013	3	1	4
Net Book Value			
As at 31 March 2012	2	-	2
As at 31 March 2013	8	4	12

4 INVESTMENTS

	Shares in group undertakings *$000's*
Cost and Net Book Value	
As at 1 April 2012	-
Additions	23,285
As at 31 March 2013	23,285

The group or the company's investments at the balance sheet date in the share capital of companies represent the following

Subsidiaries

Name	Country of incorporation	Nature of business	Holding
Enteq Upstream USA Inc	United States of America	Holding company	100%
Enteq USA Holdco LLC	United States of America	Holding company	100%
Enteq XXT LLC	United States of America	Manufacturer of down hole drilling equipment	100%
Enteq KMS LLC	United States of America	Manufacturer of down hole drilling equipment	100%

The increase in investment in Enteq Upstream USA Inc represents the additional funding in order to acquire Enteq XXT and Enteq KMS

5 DEBTORS

Amounts falling due within one year	31 March 2013 *$000's*	31 March 2012 *$000's*
Amounts owed by group undertakings	3,021	903
Prepayments	293	62
Other debtors	12	-
	3,326	965

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

6 CASH AT BANK AND IN HAND

	31 March 2013 *$000's*	31 March 2012 *$000's*
Denominated in USD	16,705	-
Denominated in GBP	5,838	20,673
	22,543	20,673

7 INTER-COMPANY LOAN NOTES

	31 March 2013 *$000's*	31 March 2012 *$000's*
Receivable from Enteq Upstream USA Inc - *in relation to acquisition of Enteq XXT LLC*	29,674	-
Receivable from Enteq Upstream USA Inc - *in relation to acquisition of Enteq KMS LLC*	8,254	-
	37,928	-

8 CREDITORS

	31 March 2013 *$000's*	31 March 2012 *$000's*
Accrued expenses	236	829
Trade payables	51	13
Social security and other taxes	39	24
Other creditors	80	80
	406	946

The management believe the carrying value is an approximation of the fair value The average creditor days for the period ending 31 March 2013 is 40 days (2012 1 day)

9 CALLED UP SHARE CAPITAL

Allotted, issued and fully paid

	Number	Class	Nominal value	Share Capital	Share Premium
				USD	USD
As at 1 April 2012	15,050,200	Ordinary	GBP 0 01	241,658	23,923,829
18 May 2012	42,000,000	Ordinary	GBP 0 01	666,532	65,997,941
18 May 2012	1,853,453	Ordinary	GBP 0 01	30,000	2,970,000
31 May 2012	50,000	Ordinary	GBP 0 01	779	90,731
	58,953,653			938,969	92,982,501
Costs associated with share issue	-			-	(2,587,852)
As at 31 March 2012	58,953,653			938,969	90,394,649

All shares issued carry the same voting rights

Proceeds received in addition to the nominal value of the shares issued during the period have been included in share premium, less registration and other regulatory fees and net of related tax benefits The costs associated with the above share allotment were $2,587,852 These costs have been deducted from share premium

On 18 May 2012, 42,000,000 ordinary shares of 1p each were issued at GBP 1 00 per share in relation to the acquisition of the operating assets and certain liabilities of XXT Incorporated Also on this day 1,853,483 ordinary shares of 1p each were issued at GBP 1 00 per share to the vendors of the operating assets and certain liabilities of XXT Incorporated

On 31 May 2012, 50,000 ordinary shares of 1p each were issued at GBP 1 00 per share to I D Leaman in relation to his appointment as Chief Financial Officer

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

10 RESERVES

	Called up share capital	*Profit and loss account*	*Share premium*	*Share based payment reserve*	*Total equity*
	$000's	$000's	$000's	$000's	$000's
Changes in equity					
Issue of share capital	697	-	69,059	-	69,756
Cost of share issue	-	-	(1,430)	-	(1,430)
Share based payment charge	-	-	-	125	125
Loss for the period	-	(2,458)	-	-	(2,458)
	697	(2,458)	67,629	125	65,993
As at 1 April 2012	242	(2,332)	22,766	19	20,695
As at 31 March 2013	939	(4,790)	90,395	144	86,688

11 RELATED PARTY DISCLOSURES

Details of directors' remuneration and other transactions are set out on pages 23 to 25

The company has taken advantage of the exemptions of Financial Reporting Standard 8 from disclosing related party transactions with other members of the Enteq Upstream plc group

12 ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party

Notice of Annual General Meeting

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK, SOLICITOR, ACCOUNTANT, FUND MANAGER OR OTHER APPROPRIATE INDEPENDENT FINANCIAL ADVISER

If you have sold or otherwise transferred all of your shares in Enteq Upstream PLC (the "**Company**") you should send this document as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee

Notice is hereby given that the annual general meeting of the Company will be held at 2 Gresham Street, London EC2V 7QP on 11 September 2013 at 12 30 p m to transact the following business Resolutions 1 to 4 will be proposed as ordinary resolutions Resolution 5 will be proposed as a special resolution

1 To receive the report of the directors, the accounts and the auditors' report on the accounts for the year ended 31 March 2013

2 To re-appoint Grant Thornton UK LLP as auditors to the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company

3 To authorise the directors to determine the auditors' remuneration

4 That the directors be and they are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "**2006 Act**") in substitution for all existing authorities

4 1 to exercise all the powers of the Company to allot shares and to make offers or agreements to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company (together "**Relevant Securities**") up to an aggregate nominal amount of one hundred and ninety six thousand, five hundred and fifty two pounds (£196,512), representing approximately 33 per cent of the Company's existing ordinary share capital, and

4 2 to exercise all the powers of the Company to allot equity securities (within the meaning of section 560 of the 2006 Act) up to an additional aggregate nominal amount of one hundred and ninety six thousand, five hundred and fifty two pounds (£196,512) provided that this authority may only be used in connection with a rights issue in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever,

provided that the authorities in **paragraphs** 4 1 and 4 2 shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or if earlier on the date which is 15 months after the date of the annual general meeting, except that the Company may before such expiry make an offer or agreement which would or might require Relevant Securities or equity securities as the case may be to be allotted after such expiry and the directors may allot Relevant Securities or equity securities in pursuance of any such offer or agreement as if the authority in question had not expired

5 That the directors be and are empowered, in accordance with section 570 of the 2006 Act, to allot equity securities (as defined in section 560(1) of the 2006 Act) for cash pursuant to the authority conferred by **resolution** number 4 as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to

5 1 the allotment of equity securities in connection with a rights issue or other pro rata offer (but, in the case of the authority granted conferred by **paragraph** 4 2, by way of a rights issue only) in favour of holders of ordinary shares and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all those persons at such record dates as the directors may determine are proportionate (as nearly as may be) to the respective numbers of equity securities held or deemed to be held by them or are otherwise allotted in accordance with the rights attaching to such equity securities subject in each case to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal difficulties under the laws of any territory or the requirements of a regulatory body or stock exchange or by virtue of shares being represented by depositary receipts or any other matter whatsoever, and

5 2 the allotment (otherwise than pursuant to **paragraph** 5 1 above) of equity securities up to an aggregate nominal amount of fifty eight thousand, nine hundred and fifty three pounds (£58,953) representing approximately 10 per cent of the existing ordinary share capital of the Company,

and shall expire upon the expiry of the general authority conferred by **resolution** number 4 above, except that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power conferred by this resolution had not expired

18 June 2013

Registered office
The Courtyard
High Street
Ascot
SL5 7HP

By order of the board

Ian David Leaman
SECRETARY

NOTES

1 A member entitled to attend and vote at the meeting is entitled to appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the meeting A member can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him

2 Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you Your proxy will vote as you instruct and must attend the meeting for your vote to be counted Details of how to appoint the Chairman or another person as your proxy using the proxy form are set out in the notes to the proxy form Appointing a proxy does not preclude you from attending the meeting and voting in person If you attend the meeting in person, your proxy appointment will automatically be terminated

3 An appointment of proxy is provided with this notice and instructions for use are shown on the form In order to be valid, a completed appointment of proxy must be returned to the Company in hard copy form by post, by courier or by hand to the Company's registrar, Computershare Investor Services PLC, at the address shown on the form of proxy, and must be received by the Company not less than 48 hours before the time fixed for the meeting

4 To change your proxy instructions you may return a new proxy appointment using the method set out above Please contact Computershare Investor Services PLC on 0870 707 4083 to request a new hard copy proxy form The deadline for receipt of proxy appointments (see above) also applies in relation to amended instructions Any attempt to terminate or amend a proxy appointment received after the relevant deadline will be disregarded Where two or more valid separate appointments of proxy are received in respect of the same share in respect of the same meeting, the one which is last sent shall be treated as replacing and revoking the other or others

5 Only those shareholders registered in the register of members of the Company (the "**Register of Members**") as at 6 00 p m on 9 September 2013 (or, if the meeting is adjourned, on the date which is two days before the time of the adjourned meeting) shall be entitled to attend and vote at the meeting or adjourned meeting in respect of the number of shares registered in their respective names at that time Changes to the Register of Members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting or adjourned meeting

6 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares

7 You may not use any electronic address provided either in this notice of annual general meeting or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated

8 As at 18 June 2013 (being the last business day before the publication of this notice), the Company's issued share capital consisted of 58,953,653 ordinary shares carrying one vote each and 50,000 incentive shares which do not carry any voting rights The Company does not hold any ordinary shares in treasury Accordingly, the total voting rights in the Company are 58,953,653

9 Any member attending the meeting has the right to ask questions The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if

- a to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information,
- b the answer has already been given on a website in the form of an answer to a question, or

c it is undesirable in the interests of the company or the good order of the meeting that the question be answered

10 The following documents are available for inspection at the registered office of the Company during normal business hours on each weekday (public holidays excluded) and at the place of the annual general meeting for 15 minutes prior to and during the meeting

a copies of the executive directors' service contracts with the Company,

b copies of letters of appointment of non-executive directors, and

c a copy of the articles of association of the Company