

ENTEQ UPSTREAM PLC

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR TO 31 MARCH 2015

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REGISTERED NUMBER: 07590845 (England and Wales)

Contents

	Page
Operational highlights, financial metrics and outlook	2
Company information	4
Strategic Report:	
Chairman's statement	5
Chief Executive's operating and strategic review	6
Financial review	9
Review of principal risks and uncertainties	12
Corporate governance:	
Corporate social responsibility	14
Report of the Directors	16
Remuneration Committee report	20
Corporate Governance Report	23
Financial statements:	
Independent Auditor's Report	26
Consolidated Income Statement	27
Consolidated Statement of Comprehensive Income	28
Consolidated Statement of Financial Position	29
Consolidated Statement of Changes in Equity	30
Consolidated Statement of Cash Flows	31
Notes to the Consolidated Financial Statements	32
Company Statement of Financial Position	54
Notes to the Company Statement of Financial Position	55
Shareholder information:	
Notice of AGM	60

Operational highlights, financial metrics and outlook

Key features

- First half financial results showed progressive growth
- Second half was materially impacted by substantial reduction in drilling rigs operating in North America
- Full year revenue reduction of 25%
- Sales outside North America increased from \$1.2m to \$3.2m (5% to 17% of total)
- Continued investment in technology & product line expansion
- Normalised overhead¹ reduced by 13% on an annualised basis
- Post year-end run rate indicates a total overhead reduction of 43%,
- Cash balances maintained during the second half and post year end.

Financial metrics

	Years ended 31 March:	
	2015	2014
• Revenue	\$18.5m	\$24.6m
• Underlying adjusted EBITDA ²	\$0.1m	\$1.9m
• Adjusted EBITDA ³	\$(0.8)m	\$1.9m
• Loss before tax ⁴	\$47.2m	\$11.5m
• Adjusted loss per share ⁵	3.1 cents	profit 2.2 cents
• Loss per share	80.1 cents	19.6 cents
• Cash balance	\$14.1m	\$18.8m

Outlook

- Uncertain oil price future continues to drive reduced drilling rig utilisation and capital expenditure forecasts in North America
- New product lines and technology development will broaden addressable market
- Further market penetration anticipated in Far East, Middle East & Russia
- Focus on cash conservation during period of unprecedented market uncertainty

¹ Normalised overheads is reported administration expenses before amortisation adjusted for depreciation, bonus charges, R&D costs, PSP charges and provisions.

² Underlying adjusted EBITDA is reported profit before tax adjusted for interest, depreciation, amortisation, foreign exchange movements, provisions and exceptional items.

³ Adjusted EBITDA is reported profit before tax adjusted for interest, depreciation, amortisation, foreign exchange movements and exceptional items.

⁴ Loss before tax includes a non-cash impairment charge in relation to acquired goodwill and intangible assets as described in note 6 to the financial statements.

⁵ Adjusted profit per share is reported profit per share adjusted for foreign exchange movements, amortisation and exceptional items.

Company information

For the year to 31 March 2015

DIRECTORS:

Chairman

Neil Warner

Chairman of the Board, Chairman of Nomination Committee

Executive Directors

Martin Perry

Chief Executive Officer

Raymond Garcia

Chief Operations Officer

David Steel

Finance Director

appointed 12 June 2014

Non-Executive Directors

Iain Paterson

Chairman, Remuneration Committee

Robin Pinchbeck

Chairman, Audit Committee

SECRETARY

David Steel

REGISTERED OFFICE

The Courtyard

High Street

Ascot

Berkshire

SL5 7HP

REGISTERED NUMBER

07590845 (England and Wales)

AUDITORS

Grant Thornton UK LLP

Registered Auditors

1020 Eskdale Road

Winnersh

Wokingham

RG41 5TS

NOMINATED ADVISER & BROKER

Investec Bank plc

2 Gresham Street

London

EC2V 7QP

LEGAL ADVISORS

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Lacon House

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London

WC1X 8RW

REGISTRARS

Computershare Investor Services PLC

The Pavilions

Bridgwater Road

Bristol BS13 8AE

Strategic Report

The above starts with the Chairman's statement and continues to the end of the Financial Review.

Chairman's Statement

Review of the Year

As a result of a severe oil price reduction and subsequent rig count reduction of 59% in North America (2,400 rigs in March 2014 as against 984 Rigs in May 2015, (source: Baker Hughes) Enteq's revenues reduced by 25% to \$18.5m, from \$24.6m. The impact of the dramatic change to the industry is disappointing given the revenue progress we had made in the first half of the financial year.

A positive underlying adjusted EBITDA has been preserved, at \$0.1m, down from \$1.9m in the previous year. We have focused on preserving our cash balance which as at 31 March 2015 was \$14.1m, slightly up from the \$13.8m as at 30 September 2014. The balance was down from the 31 March 2014 position of \$18.8m due to investment in research & development, an increase in rental assets and working capital. In order to achieve this, overheads have been carefully managed, with a full year normalised overhead run-rate reduction of 13%; the reduction from the first half of 2013/14 in comparison with the second half of 2014/15 is 23%. Further overhead reductions during the second half indicate a current half yearly run-rate of \$2.5m, an overall reduction of 43%.

The results were in line with the Board's expectations, which were re-set after the indications of oil price and rig count reductions in January 2015.

Enteq products have maintained market share and customer loyalty through the year, whilst excess capacity has significantly reduced repeat orders in the second half of 2014/15.

Sales outside North America of \$3.2m represents 17% of total sales in the year ending 2014/15, against 5% in 2013/14.

Enteq has continued to evolve and add to its product lines, now marketing a broader Measurement While Drilling and directional drilling product line. The acquisition of a mud-motor product line, announced in June 2014 was completed during the financial year and a technology and distribution partnership agreement for an Electro-magnetic transmission system has been completed since the end of the financial year.

Cash balances, at the year-end, remained strong at \$14.1m and the business operations have been broadly cash neutral before investment in R&D, acquisition of fixed assets for new business initiatives and an increase in rental inventories.

Reductions in overheads have been made across all segments of the business and were initiated rapidly after the reducing oil price, in October/November 2014, signaled a likely significant down-turn in drilling activity. Consolidation of all Enteq's operations, facilities and central management has taken place. As a result the work force has reduced from 94 as of 30 March 2014 to 56 at the end of March 2015.

Enteq's employees all deserve recognition for their ongoing commitment and achievements over the last year during difficult market conditions.

As noted in the Company's year end update of 29 April 2015, the changed nature of the market for Enteq's products has required a non-cash impairment charge in respect of goodwill and intangible assets of \$39.5m leading to a statutory loss after tax of \$47.2m for the full year.

Prospects

The world macro-economic conditions of supply and demand in the oil & gas sector continue to create an uncertain environment for North American drilling. An excess of capacity in the market, combined with an ongoing reduced rig count, will delay any short term recovery from a strengthening oil price. Enteq continues to invest in both its operations and customer base in the Eastern Hemisphere and enhance its product line. Enteq's strong cash balance and continuing tight cost management, combined with its competitive technology, means that the Company is well positioned to benefit from any market recovery.

Neil Warner

Chairman



Chief Executive's Operating and Strategic Review

Introduction

Enteq has had a challenging operational year due to industry wide conditions, but has responded appropriately to protect the Company's balance sheet and prepare for a market recovery.

This review includes an overview of the likely future developments of the Group together with an overview of the Research and Development activities undertaken by the Group during the year under review.

Reporting & performance indicators

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

Financial:

- Sales, gross profit margin, EBITDA, order intake, backlog, accounts receivable & payables ageing, working capital days and capital expenditure.

Other performance measures:

- Number of reportable HSE 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 traded Company, Enteq is not obliged to follow, and therefore has not adopted, the UK Corporate Governance Code (September 2012). However, we seek to comply with its provisions where we consider them to be relevant to the company. More details are given on page 25.

Strategy & Business Model

Market Overview

Enteq supplies equipment and technology to the oilfield services markets for directional drilling. The equipment supplied is known as Measurement While Drilling equipment.

Directional drilling is carried out in order to extract Oil & Gas as efficiently as possible, in particular from shale rock formations when subsequent completion and fracking operations are carried out to release the hydrocarbons.

Directional drilling is carried out by major service companies such as Schlumberger, Halliburton and Baker Hughes, as well as smaller dedicated directional drilling specialists. The major service companies are generally vertically integrated, developing and operating equipment that they design for their own use. The smaller directional drilling specialists generally purchase equipment from 3rd party suppliers such as Enteq.

The market for directional drilling is driven by the commodity prices of Oil & Gas which dictate whether a well can be drilled and produced economically.

The oil price for WTI was \$101 per barrel in March 2014, \$90 in September 2014 and \$52 in March 2015. The dramatically reduced oil price has caused the North American rig count to reduce from 2,400 rigs in March 2014, maintained at around 2,300 in September 2014, to 984 by May 2015, a reduction of 59%.

Measurement While Drilling equipment such as that provided by Enteq, is directly related to the rig count, as each set of equipment will be utilised on one rig. Although there is a natural replacement cycle of equipment, estimated at approximately 20% per year, in a time of spare capacity due to overall lack of utilisation, that spare capacity will be used to fill the on-going replacement demands.

The North American (Henry Hub) gas price has also reduced, from \$4.9 per mbtu in March 2014 to around \$2.9 per mbtu during the 3 months to March 2015.

The market outside North America has also been affected by the reduced commodity prices, but with a less dramatic immediate reaction. The International rig count (not including China) has reduced from 1,325 rigs in March 2014 to

1,258 in March 2015. Data is not published in China, but there has also been a slowdown in activity in China due to commodity pricing and internal political issues *(all rig count numbers sourced from Baker Hughes)*.

Enteq's addressable markets

Enteq's short term addressable market in North America will be limited by the overcapacity in the market. Enteq's customer base does however include the larger of the independent operators (outside the "Majors": Schlumberger, Halliburton, Baker and Weatherford) who continue to maintain market share and upgrade their fleet of equipment in order to protect their capabilities.

Through technology development and partnership, Enteq continues to broaden their capability and expand the market that can be addressed.

Outside North America, in some markets, the broader range of technology is a pre-requisite to compete with the 'Majors', and Enteq is advancing their capabilities in this area.

Market penetration in China, Middle East and Russia continues to show further opportunity.

Competition

Other third party suppliers of MWD equipment will have been equally affected by the market conditions and Enteq has seen new market entrants developing niche products.

Enteq continues to differentiate its products through the fundamental reliability and strength of its system. Any failure during a drilling operation can cause significant financial losses to the operator. The Enteq system has been designed, and is continually improved, with an awareness of redundancy, all possible failure modes and robustness of design and build. Reliability records remain very strong.

Enteq also continues to supply spare parts and components both for the Enteq internal systems and for third parties. The competition in this area remains high from other mechanical manufacturing facilities in USA, Canada, and from suppliers in China.

Product development and introductions

Enteq maintains a highly skilled team of development engineers centred in Santa Clara, California, with support from field engineers based in Houston but operating internationally.

Enteq is also actively making agreements with third party suppliers of technology and integrating these developments on to the Enteq platform.

During the financial year, Enteq acquired some IP and assets related to drilling motor technology, confirmed agreements for integration of a resistivity tool, and after the year end, has confirmed a co-operation agreement for a unique Electro Magnetic transmission technology.

People

As a result of the market conditions, Enteq was fast to react by reducing both overheads and staff. A headcount of 94 in April 2014 has been reduced to 56 by the end of March 2015. These reductions have been across all operating units and central management.

Facilities

During the year and subsequent to the year end Enteq has consolidated its operations to the following locations:

- Santa Clara, California: Engineering and Development. Electronic and sensor manufacture.
- Houston, Texas: Mechanical manufacturing, system assembly, sales and technical support.
- Amersham, UK: Management, Finance and International sales.

Sales & Marketing

Enteq maintains a marketing profile promoting the high end capability of Enteq products. Enteq exhibited at the International Association of Drilling Contractors / Society of Petroleum Engineers conference in London as well as the Offshore Technology Conference in Houston.

The North American sales team, based in Houston, represents the full Enteq product range with support from an experienced technical team. International sales are generated from the UK, with a dedicated resource in China and representatives in key markets with opportunity.

Acquired assets and IP

An acquisition of assets and IP/ designs for a product range of drilling motors was made for in June 2014 for a possible maximum consideration of approximately \$2.15m, of which \$1.95m is by way of a royalty payment stream related to sales made. Some of these assets have subsequently been sold, covering the initial cash investment in this project, however considering current market conditions, the follow-on investment needed to fully exploit this opportunity has not been made.

Investment in inventories of systems, finished products and inventory for rental was increased during the first half of the financial year, however in the second half a focus on sales of current inventories was introduced.

Enteq continues to evaluate potential acquisitions; however the Board considers that the current cash reserves are likely to be better used for enhancing the organic growth of the Company and investing where strong returns from the immediately addressable market can be seen.

Future strategic direction

The Board believes that when the North American market stabilises again, Enteq is well placed for recovery and subsequent organic growth. Outside North America, Enteq should continue to gain market penetration based on product introduction, technological capability and relationships.

Enteq continues to believe in the longer term strategy of further acquisitions in the global technology supply chain for oilfield services in order to develop a well-integrated and differentiated, balanced Company.

Conclusion

The 2014/15 Financial Year showed good progression in market share increase and growth during the first half, followed by the need for immediate and dramatic reductions, cost savings and re-focusing during the second half of the year in order to preserve cash and profitability. Penetration of the international markets has been pleasing given the requirement for further technology agreements and development. Enteq remains well placed for any market recovery.



Martin Perry

Chief Executive Officer

15 June 2015

Financial Review

Results

	Year ended 31 March 2015 <i>\$million</i>	Year ended 31 March 2014 <i>\$million</i>
Revenue	18.5	24.6
Gross profit	6.9	9.8
Overheads	(6.8)	(7.9)
Underlying adjusted EBITDA	0.1	1.9
Bad debt provisions	(0.9)	-
Adjusted EBITDA	(0.8)	1.9
Depreciation & amortisation	(6.6)	(6.8)
Foreign exchange	-	0.2
Other charges	(0.2)	-
Ongoing operating loss	(7.6)	(4.7)
Impairment charge	(39.5)	(9.8)
Release of contingent consideration	-	3.4
Other exceptional items	(0.2)	(0.5)
Interest	0.1	0.1
Loss before tax	(47.2)	(11.5)
Tax	(0.1)	(0.1)
Loss after tax	(47.3)	(11.6)

The year to 31 March 2015 was very much a year of two halves. Due to the dramatic reduction in the price of WTI from September 2014 onwards and its impact on, primarily, our North American customer base, an encouraging H1 revenue of \$13.6m has been followed by a very disappointing H2 figure of \$4.9m, giving a full year total of \$18.5m. International sales (those outside North America) rose from \$1.2m in the year to 31 March 2014, to \$3.2m this year. This increase was primarily due to the system sales to new customers in both China and the Middle East. The H1 gross margin was 40%, but due to a change of the product mix towards the lower margin mechanical components, the H2 gross margin was only 30%. The full year gross margin was 37%, down from 40% for the previous year. Total overheads, at \$6.8m, were down \$1.1m on the previous year's figure. This was, primarily, down to prompt senior management actions to reduce costs, once the full impact of the reduction in the price of oil on our customer base became apparent.

The oil price reduction during H2 has put a serious strain on the cashflows of a number of our customers. In recognition of this fact, a bad debt provision of \$0.9m has been set up at the year end. We are in regular contact

with these customers to ensure that this exposure is minimised, however as at the date of this report this provision is still required.

Amortisation is charged in respect of the acquired intangible assets and is charged over their estimated useful lives which are set out more fully on page 35.

The “Other charges” included in the ongoing operating loss for the year includes the non-cash charge relating to the new Performance Share Plan described on page 20.

At the end of each financial year, management reviews the carrying value of goodwill and other intangible assets. This process involves ‘impairment testing’ in which the carrying value of all intangible assets is compared to the net present value of the expected future cashflows which derive from these assets. The Board has concluded that these tests demonstrate that due to the impact the oil price reduction has had on our customer base, combined with the uncertainty over how long this level of oil price is likely to last, the carrying value of both the intangible assets and goodwill need to be fully impaired. As a consequence, the profit and loss account includes a non-cash impairment charge of \$39.5m.

The foreign exchange gain results from the movement in the GBP/USD exchange rate on the GBP cash balances held by the Group.

Statement of Financial Position

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

As at 31 March:	2015	2014
	<i>\$million</i>	<i>\$million</i>
Goodwill	-	15.1
Other intangible assets	-	28.9
Plant & equipment	4.8	3.7
Net working capital	10.0	9.5
Cash	14.1	18.8
Net assets	28.9	76.0
Capital & reserves	28.9	76.0

The reduction in both Goodwill and Other Intangible assets relate to the impairment charge of \$39.5m plus the annual amortisation charge as set out above.

The small increase in net working capital reflects a decrease in trade receivables, due to the “unwind” of the high level of cash due relating to sales made in H1, countered by an increase in inventory and reduction in creditors.

Cash flows

Year to 31 March:	2015	2014
	\$ million	\$ million
Underlying adjusted EBITDA	0.1	1.9
Investment in R&D, rental fleet, Capex and finished goods	(5.9)	(4.4)
Change in operational working capital	1.0	(3.0)
Interest	0.1	0.1
Net cash movement	(4.7)	(5.4)
Opening cash balances	18.8	23.9
Foreign exchange movements	-	0.3
Closing cash balances	14.1	18.8

Whilst the total cash outflow in the year was \$4.7m, the closing cash balance of \$14.1m is \$0.3m higher than the position as at 30 September 2014. This reflects the senior management's concentration on preserving cash since the major reduction in oil prices.

The positive change in operational working capital was primarily due to the decrease in trade receivables, referred to above. The \$5.9m investment figure includes \$1.9m of rental fleet assets, \$1.1m of R&D spend and \$2.3m of increased finished goods holdings to ensure faster responsiveness to customer demand in an increasing competitive environment. This \$2.3m change in finished goods is shown within the "Increase in inventory" caption of the consolidated Statement of Cash Flows.

Financial Capital Management

The Group's financial position is robust. The Group had no bank borrowings or other debt and had a closing cash position of \$14.1m as at 31 March 2015.

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 UK based overhead costs, 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. These GBP denominated holdings are now approximately 3% of total cash holdings.

Annual General Meeting

The Company's Annual General Meeting will be held on 15 September 2015 at 12.00 noon at the offices of Investec Bank plc, 2 Gresham Street, London EC2V 7QP. The formal notice is attached on page 60.

David Steel
Finance Director

15 June 2015

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.

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.

As can be seen from the Strategic Report, this risk significantly impacted on the Group's business during the second half of the year under review and appropriate actions have been put in place to minimise the impact of the reduced oil price on the Group's profitability.

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

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

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

RISKS RELATING TO THE GROUP'S STRATEGY

Acquisition opportunities

During the current period of market uncertainty, the Board is adopting a cautious approach to acquisition opportunities. However, the Board continues to monitor and assess potential earning enhancing acquisitions. The Group's strategy continues to focus on achieving an appropriate balance of organic growth and growth through acquisitions.

GROUP SPECIFIC RISKS

Dependence on key personnel

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

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

With the reduction in staff numbers during the year, this risk has increased, however, the Board needs to balance this risk with the requirement to keep overheads constantly under review.

Dependence on key customers

The Group is dependent on a relatively small number of key customers and the size of any individual order may be substantial. The timing of these orders may materially impact on the Group results. The loss of business with one or 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.

With the current market uncertainty in North America, the Board is increasingly looking to expand the customer base within the Eastern Hemisphere.

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

All Group sales and the majority of costs are transacted in US Dollar and hence exposure to foreign currency fluctuations is very limited.

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 an 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.

The Strategic Report set out on pages 5 to 13 was approved by the Board of Directors on 15 June and signed on its behalf by:



Martin Perry

Chief Executive Officer

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 Finance Director meet with major shareholders at least twice a year, following the announcement of the Group's half and full year results.

Employees

Despite the headcount reductions made in response to the market uncertainty in North America, we continue to recognise that our employees are our most valuable asset. Both senior and local management have ensured that all staff are kept informed of the changes to our trading patterns and fully explained the reasons behind the actions taken during the year. As at 31 March 2015, the Group had 56 employees (2014 – 94).

During the year, the Board continued the "Speak Up" procedure for any employee wishing to raise, in confidence, any concerns they may have about possible financial improprieties, breach of ethical business practices or other matters. This telephone based service is run by an external agency who report quarterly to the Board.

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 9 reportable incidents (2014 – 4).

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.

For the year to 31 March 2015

The directors present their report with the financial statements of the Group and the Company for the year to 31 March 2015.

DIRECTORS

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

Martin Perry Chief Executive Officer

Martin Perry (53), formerly CEO of Sondex plc. Martin entered the oil industry in 1984, initially as a field engineer after gaining an engineering degree at Exeter University. Martin then worked in the IT and Data Communications industry, before leading the Management Buy Out at Sondex. Following the acquisition of Sondex by GE in 2007, Martin was appointed CEO of GE's Oilfield Technologies Division and subsequently served as Non-Executive Chairman of 3 private equity-backed businesses.

Raymond Garcia Chief Operations Officer

Raymond Garcia (59), 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.

David Steel Finance Director

David Steel (55), is a Chartered Accountant who qualified in KPMG's London office. David has held senior finance positions in a wide variety of industries including international trade exhibitions and aerospace manufacturing. Prior to joining Enteq, initially as Group Financial Controller, he was Deputy Finance Director of a global provider of geoprediction tools to the upstream oil and gas industry.

Neil Warner Non-Executive Chairman

Neil Warner (62), Non-Executive and Audit Committee Chair of Vectura Group plc. Formerly Senior Independent Director at Dechra Pharmaceuticals plc and 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 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
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Iain Paterson (68), formerly Chairman of Sondex and of ITE, Non-Executive Director of MOL NyRt, Hunting plc, Paladin Resources plc and Armor Group 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 chairs the Company's Remuneration Committee.

Robin Pinchbeck Non-Executive Director

Robin Pinchbeck (62), is Non-Executive Director of IGas Energy plc. He was an Executive Director at Petrofac Limited, where he founded and led the Operations Services division, from 2002 until IPO in 2005. His earlier career included senior management roles at BP plc. Former Non-Executive directorships include Sparrows Offshore Limited (Chairman), Sondex and EnQuest plc. Robin chairs the Company's Audit Committee.

All the above directors offer themselves for re-election at the forthcoming Annual General Meeting.

Dividends

No dividends will be distributed for the year ended 31 March 2015 (year ended 31 March 2014 – nil).

Changes in the Group during the Financial Year

There were no changes during the current financial year.

Post Balance Sheet Events

There were no post balance sheet events.

Risks and uncertainties

A review of the key risks and uncertainties affecting the Group is set out on pages 12 and 13. The Group's exposure to key financial risks is set out in Note 25 to the financial statements.

Directors' and Officers' Liability Insurance

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

Annual General Meeting

The Annual General Meeting of the Company will take place on 15 September, 2015 at 2 Gresham Street, London EC2V 7QP commencing at 12.00 noon. At the meeting, as well as routine matters, members will be asked to receive the Report of the Directors and Accounts, to re-appoint all 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.

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 18 of the financial statements. As at 31 March 2015, there were 58,953,653 Ordinary shares in issue. There were no movements in share capital during the year.

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
M&G	5,465,000	9.3
Soros	4,825,000	8.2
Ruffer	4,190,778	7.1
City Financial	3,900,341	6.6
Schroder Investment Management	3,511,106	6.0
Hargreave Hale	3,445,688	5.8
Salvepar	3,000,000	5.1
Directors	2,412,803	4.1

Political Donations

During the year the Company made no Political donations.

Registrar

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

Articles of Association

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

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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

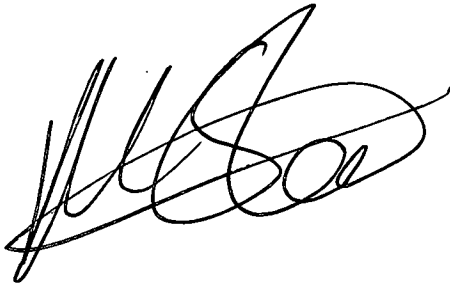
Despite the current uncertain market conditions, the Group has significant cash resources to enable it to trade through these conditions. As a consequence the directors believe that the Group is well placed to manage its business risks successfully.

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

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

A handwritten signature in black ink, appearing to read 'D. Steel', written over a horizontal line.

David Steel

Company Secretary

15 June 2015

Remuneration Committee Report

For the year to 31 March 2015

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 2014) 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 policies 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 by the Committee. Any bonus will be subject to Remuneration Committee approval. The Remuneration Committee will continue to monitor this policy.

Annual Bonus Plan

The annual grant of bonuses is conditional upon the achievement of targets by reference to agreed financial and personal performance measures. The scheme is applicable to executive directors for the financial year ended 31 March 2015 and the targets in this year were weighted predominately towards the Group financial performance. The financial targets were not achieved and so no bonus payments were payable.

Long-term Incentive and Share Option plans

The Company believes that employee share ownership strengthens the link between their personal interests and those of the shareholders. Consequently, the Company has put in place a Share Option Plan. All Group employees participate in the Plan, except for Martin Perry and Raymond Garcia (who have an alternative via Incentive Share ownership) and the Non-Executive Directors.

Following professional consultation, on 17 September 2014 the Company introduced a Performance Share Plan ("PSP") for the Executive Directors and other key senior managers. The Remuneration Committee were given the power to grant awards at the nominal value of the shares, but the exercise of which is subject to certain performance conditions. Such awards will lapse if not exercised within 10 years of grant. The details of the grants awarded under this scheme on 17 September 2014 are shown in a table on page 22. The participants in this Plan are no longer eligible for awards under the Share Option Plan or any other Long-term Incentive Plan.

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. On 31 March 2015, based on the share price on that day, the Incentive Shares had no value.

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 2015 were as follows (all salaries denominated in sterling have been converted to US dollars):

	Annual Salaries, Fees, Bonus and Benefits 31/03/2015	Actual amounts paid during the year to 31/03/2015*	Annual Salaries, Fees, Bonus and Benefits 31/03/2014	Actual amounts paid during the year to 31/03/2014
	USDk	USDk	USDk	USDk
M G Perry	314	573	600	311
R Garcia	316	590	608	326
D M Steel	215	297	-	-
I Leaman**	-	-	216	216
Total - Executive	845	1,460	1,424	853
I S Paterson	48	40	60	60
R H Pinchbeck	48	40	60	60
N W Warner	90	83	112	112
Total - non executive	186	163	232	232
Total	1,031	1,623	1,656	1,085

* Includes bonus payments relating to the previous year.

** The figures for 31 March 2014 relate to the period up to 10 December 2014, the date of his resignation. In addition, I Leaman was paid \$177,462 in redundancy related payments.

M G Perry, R Garcia and D M Steel received no increase in their salaries in the year to 31 March 2015.

From 1 February 2015, elements of the Board's remuneration were agreed to be settled in shares rather than cash. The following elements of the salary are to be settled in shares on 17 June 2015, for the period to 31 March 2015:

	USDk
M G Perry	12
R Garcia	9
D M Steel	6
Total - Executive	27
I S Paterson	8
R H Pinchbeck	8
N W Warner	7
Total - non executive	22
Total	49

There were no such issues of shares relating the year to 31 March 2014.

Interests in share options, Incentive shares and PSP options

	<u>Number of Share Options at 31/3/15 and 31/3/14</u>	<u>Number of Incentive Shares at 31/3/15 and 31/3/14</u>	<u>Vesting dates</u>
I S Paterson	80,000	-	June 2015
R H Pinchbeck	80,000	-	June 2015
N W Warner	150,000	-	June 2015
M G Perry	-	30,000	June 2015
R Garcia	-	20,000	June 2015
D M Steel:	40,000	-	February 2016
	50,000	-	July 2016
	120,000	-	January 2017
Total	520,000	50,000	

	<u>Number of PSP Options at 31/3/15</u>	<u>Vesting dates</u>
M G Perry	538,462	March 2017
R Garcia	538,462	March 2017
D M Steel	147,692	March 2017
Total	1,224,616	

The performance conditions for the above PSP award are that each of total shareholder returns and earnings per share have to grow in the range of 10% to 30% per annum (compounded) over the period to the vesting date in order for award to be exercisable.

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

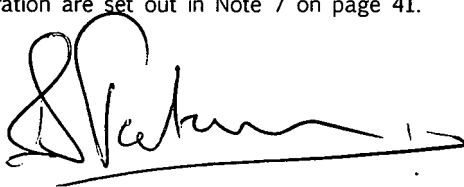
The Non-Executive Director Share Option scheme was put in place in anticipation of the Company's IPO, in June, 2011 and was closed on completion of the Company's IPO in July, 2011. This Scheme does not conform to best practice as set out in The UK Corporate Governance Code. However, the Directors believe 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-Executive Director. The Board will continue to monitor the need to appoint a Senior Independent Non-Executive 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 2015.

Highest paid director

The Companies Act 2006 requires certain disclosures about remuneration of the highest paid director taking into account emoluments, gains in exercise of share options and amounts receivable under long-term incentive schemes. Details of this remuneration are set out in Note 7 on page 41.



Iain Paterson

Chairman of the Remuneration Committee

Corporate Governance Report

This report for shareholders sets out Enteq Upstream PLC's approach to Corporate Governance. We have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code we consider to be relevant to the company. More details are given on page 25.

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.

		<i>Board</i>	<i>Audit committee</i>	<i>Remuneration committee</i>	<i>Nomination committee</i>
Raymond Garcia	Chief Operations Officer	Member			
Martin Perry	Chief Executive Officer	Member			
David Steel*	Finance Director	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

* David Steel was appointed Finance Director of the Group on 12 June 2014.

In the year under review the Board met on 9 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 both the Non-Executive and Executive Directors. The Board was regarded as effective and possessed sufficient skills and experience to enable it to discharge its responsibilities appropriately. The evaluation further confirms the Board's belief that the Board balance and the composition of each main Board Committee is appropriate. In reviewing the Board it was concluded that the skills and experience the Executive Directors bring to the Board are complementary to each other and those of the Non-Executive Directors.

Board Committees

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

Audit Committee

The Audit Committee comprises solely of Non-Executive Directors of the Company. 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 twice during the year under review.

Responsibilities

The responsibilities of the Audit Committee include to:

- monitor and review reports from the Executive Directors, including the Group's financial statements and Stock Exchange announcements;
- monitor and review the Group's systems of internal control;
- review reports from the Group's external auditors;
- monitor any corporate governance and accounting developments;
- monitor the Group's bribery act compliance procedures;
- consider and recommend to the Board the reappointment of the external auditor;
- agree the scope and fees of the external audit;
- monitor and approve engagements of the external auditor to provide non-audit services to the Group;
- 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 2015, fees for non-audit services totalled \$14k in comparison to audit fees of \$116k. The scope and extent of non-audit work undertaken by the external auditor is monitored by, and, above certain thresholds, requires prior approval from the committee to ensure that the provision of such services does not impair their independence or objectivity.

Internal audit

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 senior finance team carries out reviews on an on-going basis. These reviews are available to the Committee and encompass the identification of the key business, financial, compliance and operational risks facing each operating location, together with an assessment of the controls in place for managing and mitigating these risks. The committee will continue to monitor the need for a separate internal audit function.

Remuneration Committee

The Remuneration Committee comprises solely of Non-Executive Directors of the Company and is responsible for reviewing remuneration arrangements for the Board and other senior employees of the Group and for providing general guidance on aspects of remuneration policy for the Group. The committee met 6 times 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 22nd May 2014 the Committee met to recommend that David Steel be 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.

Internal Controls

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

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

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

- 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, A.4.1, B.1.1, B.1.2 or C.3.1;
- No member of the Audit Committee has direct, recent financial experience. As such the Group was not compliant with provision C.3.1;
- For the reasons identified in the Remuneration Committee Report above the Remuneration Committee has not set upper limits on executive remuneration levels. As such the Group was not compliant with the provisions in schedule A.

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 2015 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the company statement of financial position and the related notes. The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards (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 18, 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 Company's affairs as at 31 March 2015 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 Strategic Report and 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Nicholas Watson
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Reading
15 June 2015

Enteq Upstream plc

Consolidated Income Statement

		Year to 31 March 2015			Year to 31 March 2014
	Notes	\$ 000's	\$ 000's	\$ 000's	\$ 000's
		Ongoing operations	Exceptional items	Total	Total
Revenue	4	18,525	-	18,525	24,554
Cost of Sales		(11,614)	-	(11,614)	(14,725)
Gross Profit		6,911	-	6,911	9,829
Administrative expenses before amortisation	9	(8,809)	-	(8,809)	(8,510)
Amortisation of acquired intangibles	9	(5,701)	-	(5,701)	(6,358)
Impairment of acquired intangibles including goodwill	6	-	(39,538)	(39,538)	(9,783)
Release of contingent consideration	6	-	-	-	3,361
Other exceptional items	6	-	(122)	(122)	(382)
Foreign exchange (loss)/gain on operating activities		(12)	-	(12)	292
Total Administrative expenses		(14,522)	(39,660)	(54,182)	(21,380)
Operating loss		(7,611)	(39,660)	(47,271)	(11,551)
Finance income	8	127	-	127	75
Loss before tax		(7,484)	(39,660)	(47,144)	(11,476)
Tax expense	10	(83)	-	(83)	(96)
Loss for the period		(7,567)	(39,660)	(47,227)	(11,572)
<i>Loss attributable to:</i>					
Owners of the parent		(7,567)	(39,660)	(47,227)	(11,572)
 <i>Loss per share (in US cents):</i>	 11				
Basic				(80.1)	(19.6)
Diluted				(80.1)	(19.6)
 <i>Adjusted (loss)/earnings per share (in US cents):</i>	 11				
Basic				(3.1)	2.2
Diluted				(3.1)	2.2

Enteq Upstream plc

Consolidated Statement of Comprehensive Income

	Year to 31 March 2015	Year to 31 March 2014
	\$ 000's	\$ 000's
Loss for the year	(47,227)	(11,572)
Other comprehensive income for the year:		
Items that will not be reclassified subsequently to profit and loss	-	-
Items that will be reclassified subsequently to profit and loss	-	-
Total comprehensive income for the period	(47,227)	(11,572)
<i>Total comprehensive income attributable to:</i>		
Owners of the parent	(47,227)	(11,572)

Enteq Upstream plc

Consolidated Statement of Financial Position

		As at 31 March 2015 \$ 000's	As at 31 March 2014 \$ 000's
	<i>Notes</i>		
Assets			
Non-current			
Goodwill	12a	-	15,127
Intangible assets	12b	-	28,917
Property, plant and equipment	13	4,837	3,697
Non-current assets		<u>4,837</u>	<u>47,741</u>
Current			
Trade and other receivables	15	5,019	8,666
Inventories	16	7,363	5,590
Cash and cash equivalents	17	14,091	18,829
Current assets		<u>26,473</u>	<u>33,085</u>
Total assets		<u>31,310</u>	<u>80,826</u>
Equity and liabilities			
Equity			
Share capital	18	939	939
Share premium	18	90,395	90,395
Share based payment reserve		364	222
Retained earnings		(62,821)	(15,594)
Total equity		<u>28,877</u>	<u>75,962</u>
Liabilities			
Current			
Trade and other payables	19	2,433	4,864
Total liabilities		<u>2,433</u>	<u>4,864</u>
Total equity and liabilities		<u>31,310</u>	<u>80,826</u>

The financial statements were authorised for issue and approved by the Board of Directors on 15 June 2015 and were signed on its behalf by:



David Steel
Director

Enteq Upstream plc

Consolidated Statement of Changes in Equity

	Called up share capital \$ 000's	Retained earnings \$ 000's	Share premium \$ 000's	Share based payment reserve \$ 000's	Total equity \$ 000's
Share based payment charge	-	-	-	142	142
Transactions with owners	-	-	-	142	142
Loss for the period	-	(47,227)	-	-	(47,226)
Other comprehensive expense for the year	-	-	-	-	-
Total comprehensive income	-	(47,227)	-	-	(47,226)
Total movement	-	(47,227)	-	142	(47,085)
As at 1 April 2014	939	(15,594)	90,395	222	75,962
As at 31 March 2015	939	(62,821)	90,395	364	28,877

	Called up share capital \$ 000's	Retained earnings \$ 000's	Share premium \$ 000's	Share based payment reserve \$ 000's	Total equity \$ 000's
Share based payment charge	-	-	-	79	79
Transactions with owners	-	-	-	-	(11,572)
Loss for the period	-	(11,572)	-	-	(11,572)
Other comprehensive expense for the year	-	-	-	-	-
Total comprehensive income	-	(11,572)	-	79	(11,493)
Total movement	-	(11,572)	-	79	(11,493)
As at 1 April 2014	939	(4,022)	90,395	143	87,455
As at 31 March 2014	939	(15,594)	90,395	222	75,962

Enteq Upstream plc

Consolidated Statement of Cash Flows

	Year to 31 March 2015 \$ 000's	Year to 31 March 2014 \$ 000's
Cash flows from operating activities		
Loss for the year	(47,227)	(11,572)
Net finance income	(127)	(75)
Loss on disposal of fixed assets	195	-
Share-based payment non-cash charges	142	77
Foreign exchange difference	12	(292)
Release of Contingent Consideration	-	(3,361)
Impairment of acquired intangibles and goodwill	39,538	9,783
Depreciation and Amortisation charges	6,665	6,891
	<u>(802)</u>	<u>1,451</u>
Increase in inventory	(1,773)	(1,838)
Decrease/(increase) in trade and other receivables	3,645	(3,736)
(Decrease)increase in trade and other payables	(2,429)	771
Net cash from operating activities	<u>(1,359)</u>	<u>(3,352)</u>
Investing activities		
Purchase of property, plant & equipment	(2,297)	(531)
Purchase of intangible fixed assets	(1,197)	(1,604)
Interest received	127	75
Net cash from investing activities	<u>(3,367)</u>	<u>(2,060)</u>
Decrease in cash and cash equivalents	(4,726)	(5,412)
Non-cash movements - foreign exchange	(12)	292
Cash and cash equivalents at beginning of period	18,829	23,949
Cash and cash equivalents at end of period	<u>14,091</u>	<u>18,829</u>

Notes to the consolidated financial statements

For the year to 31 March 2015

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
- IFRS 15 Revenue from Contracts with Customers
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38
- Annual Improvements to IFRSs 2010-2012 Cycle
- Annual Improvements to IFRSs 2011-2013 Cycle
- Annual Improvements to IFRSs 2012-2014 Cycle

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 2015. 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 2015.

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.

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

Companies included in the consolidation:

Name	Country of incorporation	Nature of business	Holding
Enteq Upstream USA Inc.	United States of America	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.

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 the current market conditions 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:\$1.48 (31 March 2014 £1:\$1.67). Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Segmental reporting

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

Revenue

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

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

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

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 impairment charges, change to contingent consideration, charges relating to the Performance Share Plan and severance costs.

Intangible Assets and Goodwill

a) Goodwill

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

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

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

b) Other intangible assets

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

c) Research and Development Expenditure

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

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

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

Loans and receivables

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

Inventories

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

Taxation

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

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

in equity or other comprehensive income. Deferred income tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Cash and cash equivalents

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

Financial liabilities and equity

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

Trade and other payables

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

Equity instruments

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

Equity, reserves and dividend payments

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

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

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

Incentive Shares

Two 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 Statement of Financial Position as they become repayable if the Executive Directors leave office.

Provisions, contingent assets and contingent liabilities

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

Critical accounting estimates and judgements

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

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

Share premium	The costs that have been offset against the share premium are deemed to be wholly and exclusively for the issue of shares. The directors have reviewed all costs in relation to the share issue and those that did not fully relate to the share issue have been recognised as an expense in the 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\$; Company has funded its overseas subsidiary in a loan denominated in US\$. Management also note that the Company's strategy is to invest in services aligned to the oil and gas industry, an industry which trades principally in US\$.

Share based payment and incentive share costs

The share based payment costs and the incentive share costs have both been calculated based on different scenarios for the possible outcomes of the Group's investment activities using a Black-Scholes model. The total expense is based upon initial conditions and will crystallise smoothly over the vesting period of three and four years.

Impairment of intangible assets

An impairment test is carried out annually and involves a significant level of judgement regarding factors such as future growth rates. Senior management base this judgement on the best available industry and market data at that point in time. The critical judgements and estimates are set out in Note 12. As the Group strategy unfolds, these assumptions may change. Any significant downward variance in the assumptions may result in an impairment.

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 2015 USD 000's	31 March 2014 USD 000's
Europe (UK)	13,834	17,679
United States	15,028	58,283
Total Group net assets	28,862	75,962

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

The Group had no customers that contributed in excess of 10% of the Group's total sales for the year (2014: none). No revenue relates to customers based in the UK (2014: 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 consolidated income statement, to adjusted earnings. Adjusted earnings and underlying adjusted earnings are presented to provide a better indication of overall financial performance and to reflect how the business is managed and measured on a day-to-day basis. The adjusted earnings before interest, taxation, depreciation and amortisation ("adjusted EBITDA") is also presented as it is a key management metric.

	31 March 2015 USD 000's	31 March 2014 USD 000's
Loss attributable to ordinary shareholders	(47,227)	(11,571)
Release of contingent consideration	-	(3,361)
Other exceptional items	122	382
Impairment of intangible assets	39,538	9,783
Amortisation of acquired intangible assets	5,701	6,358
Foreign exchange movements	12	(292)
Adjusted earnings	(1,854)	1,299
Depreciation charge	964	532
Finance income	(127)	(75)
PSP charge	93	-
Other non-recurring charges	57	-
Tax Charge	83	96
Adjusted EBITDA	(784)	1,852
Exceptional bad debt charge	835	-
Underlying adjusted EBITDA	51	1,852

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

	31 March 2015 USD 000's	31 March 2014 USD 000's
Acquisition related costs	-	14
Write off of prepaid facility fees	-	146
Severance payments	123	222
Other	(1)	-
Total exceptional items	122	382

7. EMPLOYEES AND DIRECTORS

	31 March 2015 USD 000's	31 March 2014 USD 000's
Wages and salaries	5,123	5,075
Social security costs	472	501
Equity settled transactions - in lieu of salaries	73	-
Equity settled transactions - share option and PSP charge	142	77
Pension and health costs	768	597
	6,578	6,250

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

	No.	No.
Directors	6	6
Senior management	3	3
Sales & marketing	4	8
Manufacturing & Technical	55	66
Finance & administration	8	8
	<u>76</u>	<u>91</u>

	USD 000's	USD 000's
Directors' remuneration	1,031	1,656
Information regarding the highest paid director is as follows:		
Emoluments	316	608

The directors are deemed to be 'Key Management'. This is detailed further in Note 23. Further details of emoluments paid to directors, including details of the highest paid director are contained in the Remuneration Committee report on pages 20 to 22.

Share plans

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 in note 20.

Incentive Shares

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

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

If the Incentive shares had become convertible on 31 March 2015, based on the share price on that day no entitlement to Ordinary Shares would have arisen.

Employee Share Option Plan

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

Performance Share Plan

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

8. NET FINANCE INCOME

	31 March 2015 USD 000's	31 March 2014 USD 000's
Interest earned on bank deposits	127	75

9. LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging:

	31 March 2015 USD 000's	31 March 2014 USD 000's
Depreciation of tangible assets	964	533
Amortisation of intangible assets	5,701	6,358
Auditors' remuneration:		
- Fees payable to the Company's auditor for the audit of the Company's and Group's annual accounts	116	120
- Tax advisory services	14	49
Share based payments	142	77
Foreign exchange (gains)/losses	12	(292)
Loss on disposal of Property, Plant & Equipment	(194)	-

10. INCOME TAX

Analysis of tax expense

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

Factors affecting the tax charge

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

	31 March 2015 USD 000's	31 March 2014 USD 000's
Loss on ordinary activities before tax	(47,144)	(11,476)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2014: 23%):	(9,900)	(2,640)
Effects of:		
Items not subject to corporation tax	9,703	1,581
Tax losses to carry forward	197	1,059
Texas State Franchise Tax	83	96
Total income tax	83	96

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 \$3.3m; United States \$6.7m (2014: UK \$3.3m; United States \$6.6m). 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 \$47,227k (31 March 2014: loss of \$11,572k) by the weighted average number of ordinary shares in issue during the year of 58,954k (31 March 2014: 58,954k).

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 \$1,854k (31 March 2014: profit of \$1,298k), by the weighted average number of ordinary shares in issue during the year of 58,954k (31 March 2014: 58,954k).

As the Group is loss making, any potential ordinary shares have the effect of being anti-dilutive. Therefore, the diluted EPS is the same as the basic EPS. As the year end share price is below the option price of all the options issued, 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 2015:

EPS

	Earnings	Weighted average number of shares	Per-share amount
	USD 000's	000's	US cents
Loss attributable to ordinary shareholders	(47,227)	58,954	(80.1)
Exceptional items	122		
Impairment of intangible assets	39,538		
Amortisation of acquired intangible assets	5,701		
Foreign exchange movements	12		
Adjusted loss attributable to ordinary shareholders	(1,854)	58,954	(3.1)

March 2014:

EPS

	Earnings	Weighted average number of shares	Per-share amount
	USD 000's	000's	US cents
Loss attributable to ordinary shareholders	(11,572)	58,954	(19.6)
Release of contingent consideration	(3,361)		
Other exceptional items	382		
Impairment of intangible assets	9,783		
Amortisation of acquired intangible assets	6,358		
Foreign exchange movements	(292)		
Adjusted loss attributable to ordinary shareholders	1,298	58,954	2.20

During the year Enteq Upstream Plc did not pay any dividends (2014: nil).

12. INTANGIBLE ASSETS

a) Goodwill

USD 000's

Cost:	
As at 31 March 2014 and as at 31 March 2015	<u>19,619</u>
Impairment:	
As at 1 April 2014	(4,492)
Charge in year	<u>(15,127)</u>
As at 31 March 2015	<u>19,619</u>
Net Book Value:	
As at 1 April 2014	<u>15,127</u>
As at 31 March 2015	<u>-</u>
Cost:	
As at 31 March 2013 and as at 31 March 2014	<u>19,619</u>
Impairment:	
As at 1 April 2013	-
Charge in year	<u>(4,492)</u>
As at 31 March 2014	<u>(4,492)</u>
Net Book Value:	
As at 1 April 2013	<u>19,619</u>
As at 31 March 2014	<u>15,127</u>

b) Other Intangible 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:						
As at 1 April 2014	11,364	6,867	1,240	20,586	5,931	45,988
Acquired in period	130	-	-	-	-	130
Transfers	826	(826)	-	-	-	-
Capitalised in period	-	1,067	-	-	-	1,067
As at 31 March 2015	<u>12,320</u>	<u>7,108</u>	<u>1,240</u>	<u>20,586</u>	<u>5,931</u>	<u>47,185</u>
Amortisation/Impairment:						
As at 1 April 2014	(6,128)	(1,189)	(116)	(6,868)	(2,770)	(17,071)
Charge for the year	(2,511)	(634)	(62)	(1,482)	(1,011)	(5,701)
Impairment charge	(3,681)	(5,285)	(1,062)	(12,234)	(2,150)	(24,413)
As at 31 March 2015	<u>(12,320)</u>	<u>(7,108)</u>	<u>(1,240)</u>	<u>(20,586)</u>	<u>(5,931)</u>	<u>(47,185)</u>
Net Book Value:						
As at 1 April 2014	<u>5,236</u>	<u>5,678</u>	<u>1,124</u>	<u>13,718</u>	<u>3,162</u>	<u>28,917</u>
As at 31 March 2015	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	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:						
As at 1 April 2013	11,364	5,263	1,240	20,586	5,931	44,384
Capitalised in period	-	1,604	-	-	-	1,604
As at 31 March 2014	11,364	6,867	1,240	20,586	5,932	45,988
Amortisation:						
As at 1 April 2013	(2,306)	(555)	(54)	(1,500)	(1,007)	(5,422)
Charge for the year	(2,680)	(634)	(62)	(1,796)	(1,186)	(6,358)
Impairment charge	(1,142)	-	-	(3,572)	(577)	(5,291)
As at 31 March 2014	(6,128)	(1,189)	(116)	(6,868)	(2,770)	(17,071)
Net Book Value:						
As at 1 April 2013	9,058	4,708	1,186	19,086	4,924	38,962
As at 31 March 2014	5,236	5,678	1,124	13,718	3,161	28,917

There is deemed to be two cash generating unit ("CGU's") within the Company.

The main categories of Intangible Assets are as follows:

Developed technology:

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

IPR&D technology:

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

Brand names:

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

Customer relationships:

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

Non-compete agreements:

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

Goodwill and Impairment

The Group tests goodwill and other intangible assets annually for impairment. The impairment test carried out on the balances as at 31 March 2015 indicated that there was an impairment of the full carrying value of both goodwill and intangibles assets. This is due, primarily, to the dramatic weakening in the price of WTI ("West Texas Intermediate") oil during the period October 2014 to February 2015. This in turn has led to a reduced demand on the North American independent drillers who, thus, have significantly cut back on both their capital expenditure on new drilling rigs and operating expenditure on their current rig fleet, which are the main routes to market for Enteq products. The total impairment has been calculated at \$39.5 million and is summarised as follows:

	USD 000's	USD 000's
Goodwill		15,127
Other intangible fixed assets:		
Customer relationships	12,234	
IPR&D technology	5,285	
Developed technology	3,681	
Non-compete agreements	2,150	
Brand names	1,061	
		24,411
Total impairment charge		39,538

The recoverable amounts of the CGUs are determined from value in use calculations. 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 CGU. The growth rates are based on management forecasts for the five years to March 2020. Cash flow forecasts are prepared from the most recent financial plans approved by the Board.

The forecasts assume annual growth rates between 1% and 5% until 2020 and nil thereafter in the long term. These long-term growth rates do not exceed the long-term average growth rates for the industry as a whole.

The pre-tax rate used to discount cash flow forecasts is 13.1% (2014: 15.7%). Management have based this rate on the following factors: a Risk Free Rate of 2.5%; a levered equity beta of 1.5; a market risk premium of 5.5%; a small cap premium of 3.81% and an implied cost of debt of 4.53%.

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).

13. PROPERTY, PLANT AND EQUIPMENT

	Land \$000's	Leasehold improvements \$000's	Buildings \$000's	Production Equipment \$000's	Rental Fleet \$000's	Other Equipment \$000's	Total \$000's
Cost:							
As at 1 April 2014	461	139	2,077	1,726	-	350	4,753
Additions	-	-	-	17	1,929	350	2,296
Disposals	-	-	-	(2)	-	(256)	(258)
As at 31 March 2015	461	139	2,077	1,741	1,929	444	6,791
Depreciation:							
As at 1 April 2014	-	59	142	692	-	163	1,056
Charge for the year	-	35	52	375	191	311	964
Disposals	-	-	-	(2)	-	(64)	(66)
As at 31 March 2015	-	94	194	1,065	191	410	1,954
Net Book Value:							
As at 1 April 2014	461	80	1,935	1,034	-	187	3,697
As at 31 March 2015	461	45	1,883	676	1,738	34	4,837

	Land \$000's	Leasehold improvements \$000's	Buildings \$000's	Production Equipment \$000's	Other Equipment \$000's	Total \$000's
Cost:						
As at 1 April 2013	461	138	2,066	1,291	268	4,224
Additions	-	1	11	435	85	532
Disposals	-	-	-	-	(3)	(3)
As at 31 March 2014	461	139	2,077	1,726	350	4,753
Depreciation:						
As at 1 April 2013	-	16	58	377	74	525
Charge for the year	-	43	84	315	91	533
Disposals	-	-	-	-	(2)	(2)
As at 31 March 2014	-	59	142	692	163	1,056
Net Book Value:						
As at 1 April 2013	461	122	2,008	914	194	3,699
As at 31 March 2014	461	80	1,935	1,034	187	3,697

14. DEFERRED TAX

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

As disclosed in Note 10, deferred tax assets in the UK of \$3.3m and in the US of \$6.7m (2014: UK \$3.3m US \$6.5m), in relation to losses carried forward have not been recognised.

15. TRADE AND OTHER RECEIVABLES

	31 March 2015 \$000's	31 March 2014 \$000's
Trade receivables	4,634	8,379
Prepayments	333	226
Other receivables	52	61
	<u>5,019</u>	<u>8,666</u>

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

Bad debt provision

	31 March 2015 \$000's	31 March 2014 \$000's
As at 1 April	80	650
Charge/(released) to income statement	847	(392)
Allowances used	-	(178)
As at 31 March	<u>927</u>	<u>80</u>

Aging profile of unprovided trade receivables

	31 March 2015 \$000's	31 March 2014 \$000's
Not past due	3,899	7,082
Past due 31-90 days	671	1,118
Past due 91-120 days	158	2
Past due more than 120 days	833	257
	<u>5,561</u>	<u>8,459</u>

16. INVENTORIES

	31 March 2015 \$000's	31 March 2014 \$000's
Finished goods	6,525	4,178
Work in progress	818	332
Raw Materials	20	1,080
	<u>7,363</u>	<u>5,590</u>

17. CASH AND CASH EQUIVALENTS

	31 March 2015 \$000's	31 March 2014 \$000's
Denominated in USD	13,652	18,684
Denominated in GBP	439	145
	<u>14,091</u>	<u>18,829</u>

18. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

	<i>Number</i>	<i>Class</i>	<i>Nominal value</i>	<i>Share Capital</i>	<i>Share Premium</i>
				USD	USD
As at 1 April 2014 and 31 March 2015	58,953,653	Ordinary	GBP 0.01	938,969	90,394,649

All shares issued carry the same voting rights.

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

Details of the incentive shares are included in note 7.

19. TRADE AND OTHER PAYABLES

	31 March 2015 \$000's	31 March 2014 \$000's
Trade payables	1,370	2,768
Accrued expenses	630	1,609
Social security and other taxes	26	46
Other creditors	407	441
	<u>2,433</u>	<u>4,864</u>

The management believe the carrying value is an approximation of the fair value. The average creditor days for the period ending 31 March 2015 is 47 days (2014: 48 day).

20. EMPLOYEE BENEFITS

Executive Share Scheme

The Group has established a share option plan that entitles all employees to purchase shares in the Company. During the year to 31 March 2015 grants under the plan were made. In accordance with the scheme rules options are exercisable at the market price of the shares at the date of the grant once all vesting conditions have been met. Options vest after three years from the date of grant and expire after ten years.

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

	31 March 2015		31 March 2014	
	<i>Weighted average exercise price (pence)</i>	<i>Number of options</i>	<i>Weighted average exercise price (pence)</i>	<i>Number of options</i>
Outstanding at the beginning of the period	80.9	1,565,500	107.7	1,632,000
Granted during the period	33.0	392,500	61.3	1,286,258
Forfeited during the period	76.3	(513,500)	99.2	(1,352,758)
Outstanding at the end of the period	<u>71.3</u>	<u>1,444,500</u>	<u>80.9</u>	<u>1,565,500</u>
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.

The grants made during the year were as follows:

<i>Grant Date</i>	<i>22 May 2014</i>
Fair value for option at grant date (pence)	9.7
Weighted average share price at date of grant (pence)	33.0
Weighted average exercise price	33.0
Expected volatility	40%
Option life	3 years
Risk free interest rate	2.5%

The expected volatility is based on the historic volatility.

During the year \$36k has been included within the income statement as a charge, for the above options.

Performance Share Plan

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

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

*31 March 2015
Number of options*

Granted during the period	1,526,713
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, for the market based conditions and the share price at the date of grant for the non-market based conditions. The estimate of the fair value of the market based conditions is measured using the Black-Scholes model and expectations of early exercise are incorporated into this model.

The grants made during the year were as follows:

	<i>Market based conditions</i>	<i>Non market based conditions</i>
Fair value for option at grant date (pence)	6.5	32.5
Share price at date of grant (pence)	32.5	32.5
Option life	3 years	3 years

During the year \$93k has been included within the income statement as a charge, for the above options.

The charge of \$142k shown in note 7 includes the additional charges for both the above schemes plus the charges relating to the Non-Executive share options and the incentive share options.

21. OPERATING LEASES

The Group has lease agreements in respect of properties, 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 2015	Total \$000's
Within one year	232
Within two to five years	7
	<u>239</u>
At 31 March 2014	Total \$000's
Within one year	357
Within two to five years	320
	<u>677</u>

The lease expense during the year amounted to \$357k (2014: \$320k), representing the minimum lease payment.

22. OPERATING LEASES AS LESSOR

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

Rental income during the year amounts to \$568k (2014: nil) included within revenue.

The lease contracts are all non-cancellable for 3 months from the commencement of the lease.

As at 31 March 2015 there were no future minimum lease rentals (2014: nil).

23. RELATED PARTY DISCLOSURES

Transactions with key management personnel

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

	31 March 2015 \$000's	31 March 2014 \$000's
Short-term employee benefits	1,104	1,659
Share-based payments	142	24
	<u>1,246</u>	<u>1,683</u>

24. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party.

25. FINANCIAL INSTRUMENTS

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

Objectives, policies and procedures

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

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

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

Credit risk

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

At the 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 \$203k per annum. The year end 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 \$1k. Again, the year end balance was chosen due to the highly fluctuating level of GBP denominated cash held during the year.

Liquidity risk

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

Capital management

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

The Group manages its capital structure, primarily Shareholders' equity, and makes adjustments to it, in light of changes in economic conditions and development opportunities. To maintain or adjust the capital structure, the

Group may adjust the dividend payment to Shareholders, return capital to Shareholders or issue new shares. The Group's ordinary shares are quoted on the AIM market of the London Stock Exchange. This affords it access to investors which seek access to growth opportunities of the sort which the Group is targeting to acquire.

Debt is not employed in the Group at present and the limited working capital requirements are currently financed out of cash reserves.

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

No changes were made in the objectives, policies or processes during the years ending 31 March 2015.

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 hierarchy in IFRS13.

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 Statement of Financial Position relate to the following IAS 39 categories:

	<i>Other Financial Liabilities \$000</i>	<i>Non- Financial Liabilities \$000</i>	<i>Total for Statement of Financial Position heading \$000</i>
31 March 2015			
Statement of Financial Position headings – liabilities			
Trade payables	1,370	-	1,370
Social security and other taxes	-	26	26
Other creditors	407	-	407
Accrued expenses	630	-	630
Total	2,407	26	2,433
	<i>Loans and receivables \$000</i>	<i>Non- Financial Assets \$000</i>	<i>Total for Statement of Financial Position heading \$000</i>
Statement of Financial Position headings – assets			
Trade receivables	4,634	-	4,634
Prepayments	-	333	333
Other receivables	52	-	52
Cash and cash equivalents	14,091	-	14,091
Total	18,777	333	19,110

31 March 2014	<i>Other Financial Liabilities \$000</i>	<i>Non- Financial Liabilities \$000</i>	<i>Total for Statement of Financial Position heading \$000</i>
Statement of Financial Position headings - liabilities			
Trade payables	2,768	-	2,768
Social security and other taxes	-	46	46
Other creditors	441	-	441
Accrued expenses	1,609	-	1,609
Total	<u>4,818</u>	<u>46</u>	<u>4,864</u>

	<i>Loans and receivables \$000</i>	<i>Non- Financial Assets \$000</i>	<i>Total for Statement of Financial Position heading \$000</i>
Statement of Financial Position headings - assets			
Trade receivables	8,379	-	8,379
Prepayments	-	226	226
Other receivables	60	-	60
Cash and cash equivalents	18,829	-	18,829
Total	<u>27,268</u>	<u>226</u>	<u>27,494</u>

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

	<i>Within 3 months \$000's</i>	<i>3 to 12 months \$000's</i>	<i>12 to 18 months \$000's</i>
31 March 2015	2,449	-	-
31 March 2014	<u>4,864</u>	<u>-</u>	<u>-</u>

26. 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.

27. POST-REPORTING DATE EVENTS

No adjusting events have occurred.

Enteq Upstream plc

Company Statement of Financial Position

	Notes	31 March 2015 \$ 000's	31 March 2014 \$ 000's
Fixed assets			
Tangible Fixed Assets	3	2	5
Investments	4	-	23,285
		<u>2</u>	<u>23,290</u>
Current assets			
Trade and other receivables	5	13,083	7,693
Cash and cash equivalents	6	12,457	18,037
		<u>25,540</u>	<u>25,730</u>
Debtors: amounts falling due after one year			
Inter-Company loan notes	7	<u>8,592</u>	<u>37,928</u>
Creditors: amounts falling due within one year			
Trade and other payables	8	<u>(387)</u>	<u>(895)</u>
Total assets less current liabilities		<u>33,747</u>	<u>86,053</u>
Capital and reserves			
Called up share capital	9	939	939
Share premium	9	90,395	90,395
Share based payment reserve		365	223
Retained earnings		(57,952)	(5,504)
Total equity		<u>33,747</u>	<u>86,053</u>

The financial statements were approved by the Board of Directors on 15 June 2015 and were signed on its behalf by:


David Steel
Director

Notes to the Company Statement of Financial Position

For the year to 31 March 2015

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

Enteq Upstream plc is a Company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given in the Company Information found on page 4.

Statement of compliance

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.

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.

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.

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 Statement of Financial Position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Statement of Financial Position date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the Statement of Financial Position date. 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

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 Statement of Financial Position 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 2015, 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.

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 34 of the accounts.

2. LOSS FOR THE YEAR

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these financial statements. The parent Company's loss for the financial year was \$52,448k (2014: \$715k).

3. TANGIBLE FIXED ASSETS

	Computer equipment \$000's	Office equipment \$000's	Total \$000's
Cost:			
As at 1 April 2014 and 31 March 2015	10	5	15
Depreciation:			
As at 1 April 2014	5	5	10
Charge for the year	3	-	3
As at 31 March 2015	8	5	13
Net Book Value:			
As at 31 March 2014	5	-	5
As at 31 March 2015	2	-	2

4. INVESTMENTS

	Shares in Group undertakings \$000's
Cost	
As at 1 April 2014 and 31 March 2015	23,285
Impairment	
As at 1 April 2014	-
Charge for the year	23,285
As at 31 March 2015	23,285
Net book value	
As at 1 April 2014	23,285
As at 31 March 2015	-

The Group or the Company's investments at the Statement of Financial Position 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%

5. DEBTORS

Amounts falling due within one year:

	31 March 2015 \$000's	31 March 2014 \$000's
Amounts owed by Group undertakings	11,305	7,563
Trade Debtors	1,655	-
Prepayments	69	71
Other debtors	54	59
	<u>13,083</u>	<u>7,693</u>

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

6. CASH AT BANK AND IN HAND

	31 March 2015 \$000's	31 March 2014 \$000's
Denominated in USD	12,018	17,891
Denominated in GBP	439	146
	<u>12,457</u>	<u>18,037</u>

7. INTER-COMPANY LOAN NOTES

	31 March 2015 \$000's	31 March 2014 \$000's
Receivable from Enteq Upstream USA Inc:		
As at 1 April	37,928	37,928
Provision	(29,336)	-
As at 31 March	<u>8,592</u>	<u>37,928</u>

8. CREDITORS

	31 March 2015 \$000's	31 March 2014 \$000's
Accrued expenses	260	660
Trade payables	21	109
Social security and other taxes	26	46
Other creditors	80	80
	<u>387</u>	<u>895</u>

The management believe the carrying value is an approximation of the fair value. The average creditor days for the period ending 31 March 2015 is 22 days (2014: 22 day).

9. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

	Number	Class	Nominal value	Share Capital USD	Share Premium USD
As at 1 April 2014 and 31 March 2015	58,953,653	Ordinary	GBP 0.01	938,969	90,394,649

All shares issued carry the same voting rights.

10. RESERVES

	<i>Called up share capital \$000's</i>	<i>Profit and loss account \$000's</i>	<i>Share premium \$000's</i>	<i>Share based payment reserve \$000's</i>	<i>Total equity \$000's</i>
Changes in equity					
Share based payment charge	-	-	-	142	142
Loss for the period	-	(52,448)	-	-	(52,448)
	-	(52,448)	-	142	(52,306)
As at 1 April 2014	939	(5,504)	90,395	223	86,053
As at 31 March 2015	939	(57,952)	90,395	365	33,747

11. RELATED PARTY DISCLOSURES

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

The Company has taken advantage of the exemptions of Financial Reporting Standard 8 from disclosing related party transactions with other wholly owned 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 15 September 2015 at 12.00 noon to transact the following business. Resolutions 1 to 4 will be proposed as ordinary resolutions. Resolutions 5 and 6 will be proposed as special resolutions:

1. To receive the report of the directors, the accounts and the auditors' report on the accounts for the year ended 31 March 2015.
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 twelve 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 twelve 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.

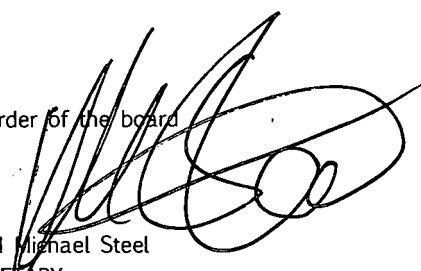
6. That the Company be and is hereby generally and unconditionally authorised, in accordance with section 701 of the 2006 Act to make market purchases (within the meaning of section 693(4) of the 2006 Act) of ordinary shares of one penny (£0.01) each in the capital of the Company ("Ordinary Shares") on such terms and in such manner as the directors may from time to time determine provided that:

- 6.1 the maximum number of Ordinary Shares authorised to be purchased is 5,895,365 (representing approximately 10 per cent. of the company's existing ordinary share capital);
- 6.2 the minimum price which may be paid for an Ordinary Share is one penny (£0.01) (exclusive of expenses payable by the Company);
- 6.3 the maximum price which may be paid for an Ordinary Share (exclusive of expenses payable by the Company) cannot be more than the higher of:
 - 6.3.1 105 per cent. of the average market value of an Ordinary Share for the five business days prior to the day on which the Ordinary Share is contracted to be purchased; and
 - 6.3.2 the value of an Ordinary Share calculated on the basis of the higher of:
 - a) the last independent trade of; or
 - b) the highest current independent bid for,any number of Ordinary Shares on the trading venue where the market purchase by the Company will be carried out; and
- 6.4 the authority conferred shall expire at the conclusion of the next annual general meeting of the Company except that the Company may before such expiry make a contract to purchase its own shares which will or may be completed or executed wholly or partly after such expiry.

15 June 2015

Registered office:
The Courtyard
High Street
Ascot
SL5 7HP

By order of the board


David Michael Steel
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 13 September 2015 (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 15 June 2015 (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.