# ENTEQ UPSTREAM PLC

Consolidated Financial Statements
for the six months ended 30 September 2020

# Contents

# Key features, Financial Metrics and Outlook

**Key Highlights**

- International revenue share increased to 74%. (September 2019: 42%)
- Growth in revenue from China; new deployments in Middle East
- Challenging market conditions in North America
- Cash balance of $8.8m at 30 September 2020 (March 2020: $10.2m)
- Focused investment and value creation in innovative technology development
- Board succession plan in place

**Financial metrics**

| | 6 Months ended 30 September: | |
|---|---|---|
| | **2020** | **2019** |
| | *US$m* | *US$m* |
| • Revenue | 2.6 | 6.5 |
| • Adjusted EBITDA[1] | 0.1 | 1.5 |
| • Post tax loss for the period | 0.7 | 0.5 |
| • Adjusted loss per share (cents) [2] | 0.5 | 0.4 |
| • Cash balance | 8.8 | 10.7 |

**Outlook**

- North American drilling market likely to remain subdued for medium term
- Markets outside USA show increasing demand for Enteq equipment
- New technology will greatly expand Enteq's addressable market
- Value creation from new technologies as milestones are met
- Continuing strong balance sheet enables on-going investment

[1] *Adjusted EBITDA is reported profit before tax adjusted for interest, depreciation, amortisation, foreign exchange movements, performance share plan charges and exceptional items.*

[2] *Adjusted earnings per share is reported profit per share adjusted for foreign exchange movements, amortisation, performance share plan charges and exceptional items.*

# Company Information
for the six months ended 30 September 2020

**DIRECTORS:**
*Non-Executive*

| | |
|---|---|
| Iain Paterson | *Chairman of the Board, Chairman of Nomination Committee* |
| Neil Hartley | *Chairman, Remuneration and Audit Committees* |

*Executive*

| | |
|---|---|
| Martin Perry | *Chief Executive Officer* |
| David Steel | *Finance Director and Company Secretary* |
| Andrew Law | *Commercial Director* |

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# Interim Report

## CHAIRMAN & CHIEF EXECUTIVE OFFICER'S REPORT

### Overview

Enteq Upstream supplies Measurement While Drilling (MWD) technologies and equipment to companies in the energy services sector. The equipment enables the well-bore to be accurately positioned and assists in optimising the efficiency of drilling operations.

The six-month reporting period ended 30 September 2020 was dominated by both the ongoing impact of the mid-March 2020 oil price slump and the effects of the COVID-19 pandemic. The price of a barrel of West Texas Intermediate Crude oil ("WTI") fell to $16 per barrel during April 2020 and has since recovered to around $40, having previously averaged $57 for the year to 31 March 2020. The number of active drilling rigs in North America started the period at 664 (31 March 2019: 1,028) before falling by around 60% to 263 at the end of June 2020. Since then the number has remained stable, ending this reporting period at 266.

As a result of the oil price drop and dramatic drilling rig reduction, Enteq's revenue derived from North America has fallen to approximately $0.7m ($3.8m to September 2019). During the period, a significant number of the equipment on rental in North America reached the end of its full rental term, with legal title passing to the renter. In addition, a number of kits came off rental and were placed back in inventory at their appropriately depreciated values.

International revenue (sales outside North America), at $1.9m, represents 74% of total revenue, compared to approximately 30% in the previous full year period ($3.2m) and 42% in equivalent period ending September 2019 ($2.8m). New customers in China represent 70% of the period's international sales. Enteq's success in China is due to the strategic demand for gas from wells which are drilled in harsh and high temperature conditions, where Enteq's proven reputation for reliable and technically advanced technology provides customer confidence. Equipment has also been ordered and delivered to Enteq's new strategic partner in Saudi Arabia who is currently undergoing the final stages of accreditation with Saudi Aramco. When this process is successful, the ownership of this equipment will transfer and Enteq will recognise the revenue with the expectation of a medium-to-long term supply contract being awarded to our partner. The outcome of the accreditation is expected to be known before the end of March 2021.

### Technology Update

Enteq continues to invest in the re-engineering and commercialisation of the Rotary Steerable System ("SRSS") development program licensed from Shell in September 2019. The project has continued to meet the required technical and market milestones, with prototype deployment and field trials scheduled for 2021. This product range will enable Enteq to enter the Rotary Steerable Drilling service market which has an estimated world-wide annual value of $1.7bn in 2020, of which approximately 40% is accessible by the SRSS technology. This compares to an approximately $100m addressable market for Enteq's current MWD products. As at 30 September 2020, Enteq has invested $0.6m in the system and expects to invest approximately $2.0m over the next two years to bring the product to market.

Further investment in a high-speed data transmission project, a key requirement for the optimisation and efficiency of drilling in the future energy industry, has been continued with a partner in Poland, where initial phases of surface prototype proving have been successfully completed.

The combination of existing Enteq Measurement While Drilling technology, the novel Rotary Steerable solution, high-speed telemetry and integration with further third-party sensors will provide the core of a focused Geosteering strategy for Enteq.

**Operations**

The core engineering, manufacturing and distribution functions continue to operate from the Enteq owned facility in South Houston, Texas, with additional contract engineering, in particular for the SRSS project, carried out in the UK.

In response to the dramatic mid-March 2020 downturn in the oil price and drilling activity, substantial overhead and headcount reductions were made in Houston and some non-core engineering staff furloughed in the UK. The core skill sets required to support customers, maintain quality and complete international deliveries of equipment have been maintained. Investment has continued in the internal and contract engineering for strategic projects. In April 2020 Raymond Garcia, a co-founder of Enteq and President /COO in USA, left the company.

**Board Succession Plan**

On 29 September 2020 Andrew Law was appointed to the Board of Directors, as Commercial Director. Andrew joined Enteq on 2 January 2019 as Director of International Sales, a non-Board appointment. Initially Andrew's focus was on expanding Enteq's market share outside North America and since March 2020 Andrew has additionally taken responsibility for Enteq's worldwide sales and fulfilment functions.

As set out in a separate announcement, the Board has today announced its orderly succession plan that will enable and support the delivery of a focused strategy for technology innovation and earnings growth in a consolidating sector.

As of 1 April 2021, Andrew Law, currently the Commercial Director, will become the Chief Executive Officer (CEO). Martin Perry, who is currently the CEO and a founding shareholder, will become the Non-executive Chairman. Neil Hartley will assume the role of Senior Independent Director. Iain Paterson, the current Chairman, will continue as a Non-executive Director. David Steel continues to serve on the Board with the new title of Chief Financial Officer.

**Overview of results**

The half year revenue of US$2.6m represents a reduction of 60% over the US$6.5m for the first half of last year and a 40% fall over the previous half year.

The above reductions reflect the severe impact on overall demand resulting from the mid-March 2020 oil price slump and the effects of COVID-19.

The North American market remains extremely subdued with the number of active drilling rigs continuing to fall from 664 at the start of April 2020 to 266 at the end of September 2020, with resulting over capacity of equipment in the market.

The international customer base for Enteq has grown significantly in the last six months, primarily through expanding market share in China. The international market represents 74% of the first half year revenue (September 2019: 42%; Full year to March 2020: 30%) with China representing 71% of the total international revenue (September 2019: 39%; Full year to March 2020: 29%).

Revenue from the sale of full kits, primarily into China, was $1.3m, an increase from $0.6m in the equivalent period to September 2019. The equipment rental market revenue continues be a significant part of the first half revenue, even though reducing in absolute terms due to the lack of opportunity to replace kits that come to the end of their rental period. Rental revenue of $0.9m was 33% of the first half total, down from $2.6m in the six months to September 2019 (40%).

The reported gross margin of 60% earned in the first half of this year was up on the 55% achieved for the six months to 30 September 2019. This was primarily due to the product mix, including a higher proportion of the high margin rental revenue.

In the six months ended 30 September 2020, administrative expenses before amortisation, depreciation and long-term incentive scheme charges were US$1.5m, down from the $2.1m in the six months to September 2019. This was primarily due to the cost cutting measures made in response to the market down turn seen in mid-March 2020, primarily in headcount, but across all other areas of overhead spend.

The adjusted EBITDA profit in the period was US$0.1m. Despite being down from the $1.5m in the equivalent period last year, achieving a positive EBITDA during a period of severe reduction in overall demand was pleasing. A reconciliation between the reported loss and the adjusted EBITDA is shown in note 5 to the Financial Statements below.

**Cash balance and cashflow**

As at 30 September 2020 the Group had a cash balance of US$8.8m, down US$1.4m over the figure as at 31 March 2020.

The half year cash movement can be analysed as follows:

| | US$m |
|---|---|
| **Adjusted EBITDA** | **0.1** |
| Change in trade and other receivables | 0.2 |
| Change in trade and other payables | (0.9) |
| Change in inventory | 0.2 |
| **Operational cashflow** | **(0.4)** |
| Increase in the rental/demo fleet | (0.6) |
| R&D expenditure | (0.5) |
| Other items | 0.1 |
| Net cash movement | (1.4) |
| Cash balances as at 1 April 2020 | 10.2 |
| **Cash balances as at 30 September 2020** | **8.8** |

Out of the net $0.5m change in working capital, $0.1m related to settling fees associated with potential acquisitions. The majority of the increase in the rental/demo fleet relates to the new partner in Saudi Arabia. The related revenue will only be recognised by Enteq when the equipment completes the Saudi Aramco accreditation process; this is expected to be before the end of March 2021.

The R&D expenditure was predominately on the Rotary Steerable System development program that includes elements licensed from Shell which continues to meet the project milestones, with prototype deployment scheduled for 2021.

| | |
|---|---|
| Martin Perry | Iain Paterson |
| **Chief Executive** | **Chairman** |

Enteq Upstream plc

11 November 2020

## Enteq Upstream plc
## Condensed Consolidated Income Statement

| | Notes | Six months to 30 September 2020 | Six months to 30 September 2019 | Year to 31 March 2020 |
|---|---|---|---|---|
| | | Unaudited | Unaudited | Audited |
| | | *US$ 000's* | *US$ 000's* | US$ 000's |
| **Revenue** | | 2,596 | 6,546 | 10,903 |
| Cost of Sales | | (1,029) | (2,950) | (4,256) |
| **Gross Profit** | | 1,567 | 3,596 | 6,647 |
| Administrative expenses before amortisation | | (1,998) | (4,020) | (7,269) |
| Amortisation of acquired intangibles | *10b* | - | (148) | (217) |
| Other exceptional items | *6* | (420) | (2) | (7,286) |
| Foreign exchange (loss)/gain on operating activities | | 46 | (25) | 37 |
| Total Administrative expenses | | (2,372) | (4,195) | (14,735) |
| **Operating loss** | | (805) | (599) | (8,088) |
| Finance income | | 46 | 142 | 250 |
| **Loss before tax** | | (759) | (457) | (7,838) |
| Tax expense | *9* | 29 | - | - |
| **Loss for the period** | *5* | (730) | (457) | (7,838) |
| Loss attributable to: | | | | |
| Owners of the parent | | (730) | (457) | (7,838) |
| ***Earnings/loss per share (in US cents):*** | *8* | | | |
| Basic | | (1.1) | (0.7) | (12.1) |
| Diluted | | (1.1) | (0.7) | (12.1) |

## Condensed Consolidated Statement of Comprehensive Income

| | Six months to 30 September 2020 | Six months to 30 September 2019 | Year to 31 March 2020 |
|---|---|---|---|
| | Unaudited | Unaudited | Audited |
| | *US$ 000's* | *US$ 000's* | *US$ 000's* |
| Loss for the period | (730) | (351) | (7,838) |
| Other comprehensive income for the period: | | | |
| Items that will not be reclassified subsequently to profit or loss | - | - | - |
| Items that will be reclassified subsequently to profit or loss | - | - | - |
| Total comprehensive income for the period | (730) | (351) | (7,838) |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | (730) | (351) | (7,838) |

# Enteq Upstream plc
## Condensed Statement of Financial Position

| | Notes | 30 September 2020<br>Unaudited<br>*US$ 000's* | 30 September 2019<br>Unaudited<br>*US$ 000's* | 31 March 2020<br>Audited<br>*US$ 000's* |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current** | | | | |
| Goodwill | *10a* | - | - | - |
| Intangible assets | *10b* | 665 | 2,940 | 134 |
| Property, plant and equipment | | 2,394 | 2,487 | 3,433 |
| Rental fleet | | 854 | 2,489 | - |
| **Non-current assets** | | 3,913 | 7,916 | 3,567 |
| | | | | |
| **Current** | | | | |
| Trade and other receivables | | 1,617 | 2,347 | 2,025 |
| Inventories | | 2,790 | 5,301 | 3,110 |
| Cash and cash equivalents | | 8,827 | 10,662 | 10,183 |
| **Current assets** | | 13,234 | 18,310 | 15,318 |
| **Total assets** | | **17,147** | **26,226** | **18,885** |
| | | | | |
| **Equity and liabilities** | | | | |
| | | | | |
| **Equity** | | | | |
| Share capital | *11* | 1,051 | 1,027 | 1,027 |
| Share premium | | 91,724 | 91,579 | 91,579 |
| Share based payment reserve | | 751 | 867 | 1,048 |
| Retained earnings | | (77,673) | (69,562) | (76,943) |
| **Total equity** | | 15,853 | 23,911 | 16,711 |
| | | | | |
| **Liabilities** | | | | |
| **Current** | | | | |
| Trade and other payables | | 1,294 | 2,315 | 2,174 |
| **Total equity and liabilities** | | **17,147** | **26,226** | **18,885** |

## Enteq Upstream plc
## Condensed Consolidated Statement of Changes in Equity

### Six months to 30 September 2020

| | Called up share capital | Profit and loss account | Share premium | Share based payment reserve | Total equity |
|---|---|---|---|---|---|
| | *US$ 000's* | *US$ 000's* | *US$ 000's* | *US$ 000's* | *US$ 000's* |
| Issue of share capital | 24 | - | 145 | - | 169 |
| Share based payment charge | - | - | - | (297) | (297) |
| Transactions with owners | 24 | - | 145 | (297) | (128) |
| Loss for the period | - | (730) | - | - | (730) |
| Total comprehensive income | - | (730) | - | - | (730) |
| Movement in period: | 24 | (730) | 145 | (297) | (858) |
| As at 1 April 2020 (audited) | 1,027 | (76,943) | 91,579 | 1,048 | 16,711 |
| **As at 30 September 2020 (unaudited)** | **1,051** | **(77,673)** | **91,724** | **751** | **15,853** |

### Six months to 30 September 2019

| | Called up share capital | Profit and loss account | Share premium | Share based payment reserve | Total equity |
|---|---|---|---|---|---|
| | *US$ 000's* | *US$ 000's* | *US$ 000's* | *US$ 000's* | *US$ 000's* |
| Issue of share capital | 22 | - | 181 | - | 203 |
| Share based payment charge | - | - | - | 117 | 117 |
| Transactions with owners | 22 | - | 181 | 117 | 320 |
| Loss for the period | - | (457) | - | - | (457) |
| Total comprehensive income | - | (457) | - | - | (457) |
| Movement in period: | 22 | (457) | 181 | 117 | (137) |
| As at 1 April 2019 (audited) | 1,005 | (69,105) | 91,398 | 750 | 24,048 |
| **As at 30 September 2019 (unaudited)** | **1,027** | **(69,562)** | **91,579** | **867** | **23,911** |

## Enteq Upstream plc
## Condensed Consolidated Statement of Cash flows

| | Six months to 30 September 2020 | Six months to 30 September 2019 | Year to 31 March 2020 |
|---|---|---|---|
| | Unaudited | Unaudited | Audited |
| | *US$ 000's* | *US$ 000's* | *US$ 000's* |
| **Cash flows from operating activities** | | | |
| **Loss for the period** | **(730)** | **(457)** | **(7,838)** |
| Tax credit | (29) | - | - |
| Net finance income | (46) | (142) | (250) |
| Share-based payment non-cash charges | (297) | 116 | 298 |
| Impact of foreign exchange movement | (46) | 25 | (37) |
| Depreciation ,amortisation and exceptional charges | 820 | 1,934 | 7,822 |
| | (328) | 1,476 | (5) |
| (Increase)/decrease in inventory | 321 | (787) | 1,402 |
| Decrease/(increase) in trade and other receivables | 409 | 5 | 329 |
| (Decrease)/increase in trade and other payables | (851) | (720) | (863) |
| **Net cash from operating activities** | **(449)** | **(26)** | **863** |
| **Investing activities** | | | |
| Purchase of tangible fixed assets | (18) | (127) | (208) |
| Increase in rental fleet assets | (618) | (743) | (742) |
| Purchase of intangible fixed assets | (531) | (693) | (2,150) |
| Interest received | 46 | 142 | 250 |
| Net cash from investing activities | (1,121) | (1,421) | (2,850) |
| **Financing activities** | | | |
| Share issue | 168 | 204 | 203 |
| Net cash from financing activities | 168 | 203 | 203 |
| **Increase/(decrease) in cash and cash equivalents** | **(1,402)** | **(1,243)** | **(1,784)** |
| Non-cash movements - foreign exchange | 46 | (25) | 37 |
| Cash and cash equivalents at beginning of period | 10,183 | 11,930 | 11,930 |
| **Cash and cash equivalents at end of period** | **8,827** | **10,662** | **10,183** |

**NOTES TO THE FINANCIAL STATEMENTS**
**For the six months to 30 September 2020**

## 1. Reporting entity

Enteq Upstream plc ("the Company") is a public limited company incorporated and domiciled in England and Wales (registration number 07590845). The Company's registered address is The Courtyard, High Street, Ascot, Berkshire, SL5 7HP.

The Company's ordinary shares are traded on the AIM market of The London Stock Exchange.

Both the Company and its subsidiaries (together referred to as the "Group") are focused on the provision of specialist products and technologies to the upstream oil and gas services market.

## 2. General information and basis of preparation

The information for the period ended 30 September 2020 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the period ended 31 March 2020 has been delivered to the Registrar of Companies. The auditors have reported on these accounts; their reports were unqualified, but did draw attention to the uncertainty regarding the carrying value of the inventory by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006

The annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

The Group's consolidated interim financial statements are presented in US Dollars (US$), which is also the functional currency of the parent company. These condensed consolidated interim financial statements (the interim financial statements) have been approved for issue by the Board of directors on 11 November 2020.

This half-yearly financial report has not been audited, and has not been formally reviewed by auditors under the Auditing Practices Board guidance in ISRE 2410.

## 3. Accounting policies

The interim financial statements have been prepared on the basis of the accounting policies and methods of computation applicable for the period ended 31 March 2020. These accounting policies are consistent with those applied in the preparation of the accounts for the period ended 31 March 2020.

## 4. Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 31 March 2020.

## 5. Adjusted earnings and adjusted EBITDA

The following analysis illustrates the performance of the Group's activities, and reconciles the Group's loss, as shown in the condensed consolidated interim income statement, to adjusted earnings. 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-today basis. Adjusted earnings before interest, taxation, depreciation and amortisation ("adjusted EBITDA") is also presented as it is a key performance indicator used by management.

| | Six months to 30 September 2020 US$ 000's Unaudited | Six months to 30 September 2019 US$ 000's Unaudited | Year to 31 March 2020 US$ 000's Audited |
|---|---|---|---|
| **Loss attributable to ordinary shareholders** | **(730)** | **(457)** | **(7,838)** |
| Exceptional items | 420 | 2 | 7,286 |
| Amortisation of acquired intangible assets | - | 147 | 217 |
| Foreign exchange movements | (46) | 25 | (37) |
| **Adjusted earnings** | **(356)** | **(283)** | **(372)** |
| Depreciation charge | 820 | 1,787 | 3,412 |
| Finance income | (46) | (142) | (250) |
| PSP credit/(charge) | (302) | 114 | 298 |
| Tax credit | (29) | - | - |
| **Adjusted EBITDA** | **87** | **1,476** | **3,088** |

## 6. Exceptional items

The exceptional items can be analysed as follows:

| | Six months to 30 September 2020 US$ 000's Unaudited | Six months to 30 September 2019 US$ 000's Unaudited | Year to 31 March 2020 US$ 000's Audited |
|---|---|---|---|
| Write down of intangible assets | - | - | 4,192 |
| Write down of inventory | - | - | 2,700 |
| Severance payments | 363 | - | 98 |
| Aborted project costs incurred | 57 | - | 296 |
| Other | - | 2 | - |
| **Adjusted earnings** | **420** | **2** | **7,286** |

## 7. Segmental Reporting

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

The principal activities of the Drilling Division are the design, manufacture and selling of specialised products and technologies for Directional Drilling and Measurement While Drilling operations used 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.

The net assets of the Group by geographic location (post-consolidation adjustments) are as follows:

| Net Assets | 30 September 2020 US$ 000's Unaudited | 30 September 2019 US$ 000's Unaudited | 31 March 2020 US$ 000's Audited |
|---|---|---|---|
| Europe (UK) | 7,768 | 14,086 | 8,712 |
| United States | 8,085 | 9,825 | 7,999 |
| Total Net Assets | 15,853 | 23,911 | 16,711 |

The net assets in Europe (UK) are represented, primarily, by cash balances denominated in US$.

## 8. Earnings Per Share

***Basic earnings per share***
Basic earnings per share is calculated by dividing the loss attributable to ordinary shareholders for the six months of US$730,400 (September 2019: loss of US$457,400) by the weighted average number of ordinary shares in issue during the period of 66,452,000 (September 2019: 65,488,000).

***Adjusted earnings per share***
Adjusted earnings per share is calculated by dividing the adjusted earnings loss for the six months of US$356,000 (September 2019: loss of US$283,400), by the weighted average number of ordinary shares in issue during the period of 66,452,000 (September 2019: 65,488,000).

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 in Note 5.

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 share price, as at 30 September 2020, was below the weighted average option price of all the options issued, the adjusted diluted EPS the same as adjusted EPS.

## 9. Income Tax

No tax liability arose on ordinary activities for the six months under review. The tax credit of $29,000 relates to the receipt of UK R&D tax reclaimed.

## 10. Intangible Fixed Assets

### a) Goodwill

| | US$ 000's |
|---|---|
| *Cost:* | |
| As at 30 September 2020 and 1 April 2020 | 19,619 |
| *Impairment:* | |
| As at 30 September 2020 and 1 April 2020 | (19,619) |
| *Net Book Value:* | |
| As at 30 September 2020 and 1 April 2020 | - |

### b) Other Intangible Fixed Assets

| | Developed technology US$ 000's | IPR&D technology US$ 000's | Brand names US$ 000's | Customer relationships US$ 000's | Non- compete agreements US$ 000's | Total US$ 000's |
|---|---|---|---|---|---|---|
| *Cost:* | | | | | | |
| As at 1 April 2020 | 12,823 | 11,454 | 1,240 | 20,586 | 5,931 | 52,034 |
| Capitalised in period | - | 531 | - | - | - | 531 |
| As at 30 September 2020 | 12,823 | 11,985 | 1,240 | 20,586 | 5,931 | 52.565 |
| *Amortisation:* | | | | | | |
| As at 1 April 2020 | 12,823 | 11,320 | 1,240 | 20,586 | 5,931 | 51,900 |
| Charge for the period | - | - | - | - | - | - |
| As at 30 September 2020 | 12,823 | 11,320 | 1,240 | 20,586 | 5,931 | 51,900 |
| *Net Book Value:* | | | | | | |
| As at 1 April 2020 | - | 134 | - | - | - | 134 |
| As at 30 September 2020 | - | 665 | - | - | - | 665 |

The main categories of Intangible Fixed Assets are as follows:

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

*IPR&D technology:*
This is technology which is in the final stages of field testing, has demonstrable commercial value and is expected to be launched in the foreseeable future.

*Brand names:*
The value associated with 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.

## 11. Share capital

Share capital as at 30 September 2020 amounted to US$1,051,000 (31 March 2020 and 30 September 2019: US$1,027,000).

## 12. Going concern

The Directors have carried out a review of the Group's financial position and cash flow forecasts for the next 12 months by way of a review of whether the Group satisfies the going concern tests. These have been based on a comprehensive review of revenue, expenditure and cash flows, taking into account specific business risks and the current economic environment. With regards to the Group's financial position, it had cash and cash equivalents at 30 September 2020 of US$8.8 million.

The impact of both COVID-19 and the significant deterioration in the oil and gas drilling market, particular in North America have been fully factored into various financial scenarios relating to future trading. The output of this modelling demonstrates that even in the case of a significant reduction in revenue the corresponding cost reduction measures and reduction in CAPEX and development spend will enable the Group to retain significant cash balances in both the near and medium term.

The uncertainty as to the future impact on the Group of the recent Covid-19 outbreak in particular has been considered as part of the Group's adoption of the going concern basis. To date, we have not observed any material impact on our activities due to Covid-19 over and above that of the significant reduction in the North America rig count since the start of March 2020 and, indeed, the recently announced $1.0m contract award in China demonstrates the robustness of the post Covid-19 oil and gas drilling market in that country.

Having taken the above into consideration the Directors have reached a conclusion that the Group is well placed to manage its business risks in the current economic environment. Accordingly, they continue to adopt the going concern basis in preparing the Interim Condensed Financial Statements.

## 13. Principal risks and uncertainties

Further detail concerning the principal risks affecting the business activities of the Group is detailed on pages 10 and 11 of the Annual Report and Accounts for the period ended 31 March 2020. Consideration has been given to whether there have been any changes to the risks and uncertainties previously reported. None have been identified.

## 14. Events after the balance sheet date

There have been no material events subsequent to the end of the interim reporting period ended 30 September 2020.

## 15. Copies of the interim results

Copies of the interim results are available from the Group's website at www.enteq.com.