Enteq Upstream plc

("Enteq", the "Company" or the "Group")

Final results for the year ended 31 March 2019

AIM traded Enteq Upstream plc, the oil and gas drilling technology company, today announces its financial results for the year ended 31 March 2019.

Key features

- Significant growth in revenue (57%) and adjusted EBITDA[1]
- Adjusted EBITDA[1] margin at 24%
- Positive adjusted earnings[2]
- Growth in both North American and International markets
- Increased investment in new technologies and rental fleet

Financial metrics

	Years ended 31 March:	
	2019	**2018**
• Revenue	$10.2m	$6.5m
• Adjusted EBITDA[1]	$2.5m	$0.2m
• Post tax loss for the period	$0.1m	$0.6m
• Adjusted earnings[2]	$0.0m	$(0.5)m
• Post tax loss per share	0.2 cents	1.0 cents
• Cash balance	$11.9m	$15.5m

Outlook

- Current market stability and oil price encourages cautious optimism
- On-going investment in new technology and rental fleet continues to create new opportunities in North America
- New customers poised for increased activity in international markets
- Strong balance sheet enables further investment opportunities

Martin Perry, CEO of Enteq Upstream plc, commented:

"As a result of the Board's prudent strategy of cash management, combined with focused investment, Enteq has seen substantial positive growth and a return to real profitability in the last year.

The company now has a strong base from which to introduce new products, build technology partnerships, maintain and grow customer partnerships and broaden its addressable market.

Enteq is well-placed to find and take advantage of incremental opportunities in what will remain an essential market sector for the foreseeable future."

For further information, please contact:

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[1] Adjusted EBITDA is reported profit before tax adjusted for interest, depreciation, amortisation, foreign exchange movements, Performance Share Plan charges and exceptional items. See note 3.

[2] Adjusted earnings is reported earnings adjusted for amortisation, foreign exchange movements and exceptional items. The March 2019 result is $19k -see note 3.

Combined Chief Executive and Chairman's report

Review of the Year

This year's financial results show improved trading across the business, with the post tax result now at a breakeven level. There has been significant growth in both revenue and adjusted EBITDA and there is a return to a positive adjusted earnings per share. Revenue increased by 57% from $6.5m in the year to 31 March 2018 to this year's figure of $10.2m, primarily from increased rental revenue. Adjusted EBITDA has risen to $2.5m (March 2018: $0.2m) and represents a margin of 24%. The decrease in cash of $3.6m during the year is accounted for, primarily, through targeted investment in technology, engineering and rental assets. This investment has underpinned this year's growth and will support future growth opportunities.

The global oil and gas markets have had a relatively stable year, despite various political pressures and changing international dynamics. Enteq strives to maintain and increase market share in this market whilst continuing to invest in technology and business development to significantly increase the Group's market presence.

The previous year's transition of all US operations, without any business interruption, to the facility owned by Enteq in South Houston, has enabled the management team to focus on refining both the manufacturing and sales processes.

Investment has continued in the engineering team, both those based in-house and through the targeted use of industry expert sub-contractors. A new 'game changing' product line, PowerHop, which includes patented technology, was launched at the global oil industry technology show, OTC, in May 2019 and garnered significant industry interest. PowerHop field trials are expected to commence later this year.

A UK government backed 'Innovate UK' sponsored project is close to completion, on time and on budget. This will result in the launch of a unique, patented, sensor which fulfils the project's initial brief and enables Enteq to offer increased functionality to its current and future customer base.

In addition to internal technology development, Enteq has been successful in negotiating two new technology partnerships during the year under review. An agreement was put in place with the US based Well Resolution Technologies Ltd. for integrating their 'At-Bit' Logging While Drilling solution into our existing data telemetry product. In addition, agreement has been reached with a Houston based partner, QDC, for an integrated sensor, incorporating Enteq firmware into a competitive new generation MWD tool. Both these collaborations and the new products were announced at OTC, in May 2019.

In North America, Enteq has responded to market conditions by significantly expanding the size of its kit rental fleet, rising during the year from 14 to 32 kits. This has enabled capital constrained service companies to grow their fleet of equipment and thus establish themselves as strong regional players. This model has also allowed a number of strong regional directional drilling companies to re-establish themselves, with Enteq as their primary MWD technology partner.

Drilling activity in North America has traditionally been highly focused around the Permian basin in Texas, but during the year significant growth has also come from new shale oil opportunities, such as in the Rockies region of Colorado. Enteq's business model allows regional drilling companies to become active quickly and successfully in these new shale plays.

The Group's rental model, with the option for the customer to ultimately purchase the equipment, cements a long-term relationship between these service companies and Enteq. To date, all equipment supplied on this basis has remained with the customer, with no returns, and this model is expected to create on-going demand for further Enteq technology.

Outside North America, Enteq has accelerated its international market presence with revenue of approximately $0.9m, up from approximately $0.5m last year. Contracts for equipment have been delivered and operations completed in the Far East, Middle East and in Europe. A number of these operations have been for Geothermal energy development, a new market sector for Enteq.

During the year a new position of Director of International Business was created, with the appointee starting in January 2019. A new international strategic direction has been established to better promote the Enteq opportunities in the largest potential markets, China, Saudi Arabia and elsewhere.

Prospects

Subject to any unforeseen macro-economic disruptions, the global market for oil & gas drilling appears to be in a period of relative stability, which can only be beneficial to the prospects for growth for all those operating in this sector.

Enteq is well positioned with both their current and evolving technologies to support drilling opportunities, wherever they may be.

Strong business management, protection of the balance sheet in difficult times, yet willingness to invest in growth potential gives us confidence that Enteq is well positioned to benefit from this market stability.

Financial Review

Income Statement

Year to 31 March:	*2019*	*2018*
	$ million	*$ million*
Revenue	**10.2**	**6.5**
Cost of Sales	(3.5)	(2.2)
Gross profit	**6.7**	**4.3**
Overheads	(4.2)	(4.1)
Adjusted EBITDA	**2.5**	**0.2**
Depreciation & amortisation	(2.7)	(0.8)
Other charges	(0.2)	(0.1)
Ongoing operating loss	**(0.4)**	**(0.7)**
Other exceptional items	-	(0.1)
Interest	0.2	0.2
Loss before tax	**(0.2)**	**(0.6)**
Tax	0.1	-
Loss after tax	**(0.1)**	**(0.6)**

The improvement in the Group's financial results for the year ended 31 March 2019 arise from the stabilization in both the North American and International markets. The price of a barrel of West Texas Intermediate ("WTI") was $65 at the start of April 2018 and $60 as at 31 March 2019, with an average of $63. In addition, the price has not dropped below $47 in this 12-month period. This relative price stability has resulted in the North American rig count rising from 1,003 at the start of the financial year to 1,025 at the end, with an average of 1,052. There was a steady increase to 1,083 rigs working at the end of December 2018, with a decline thereafter to the year end position. As Enteq's revenue is derived from both rigs being added to customers' fleets and on-going replacement of equipment during rig operation, the North American market stability resulted in turnover rising from $6.0m last year to $9.3m this year. Internationally, the market conditions eased as more projects were commissioned, resulting in revenue rising from $0.5m to $0.9m.

The full year gross margin at 65%, was down slightly on last year's figure of 67% due to a drop in the high margin electronic component revenue from 55% of last year's total revenue to only 40% this year. This was combined with an increase in the lower margin mechanical component revenue from 19% last year to 21% this year. These effects were countered, to some extent, by a rise in the high margin rental business (36% of this year's revenue, as opposed to only 15% last year).

Total overheads, at $4.2m, were virtually unchanged from last year's figure. This reflected the stability in the headcount numbers during the year, both starting and finishing the year at 33 posts. Both the size and structure of the manufacturing/engineering centre, at South Houston, and the UK based head office/engineering team were unchanged during the year.

The combined depreciation and amortisation charge was significantly up on the previous year due to the number of kits in the rental fleet increasing from 14 last year end to 32 this year. This increase was reflected in the carrying value of the rental fleet, growing from $2.1m as at 31 March 2018 to $3.4m at the end of this year.

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

Statement of Financial Position

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

As at 31 March:	*2019*	*2018*
	$million	*$million*
Intangible assets	2.4	1.2
Property, plant & equipment	2.3	2.3
Rental fleet	3.4	2.1
Net working capital	4.0	2.5
Cash	11.9	15.5
Net assets	**24.0**	**23.6**

The "Intangible assets" represent the value of the on-going R&D work, carried out by the engineering team and capitalised to date, less the amortisation relating to the products fully commercialised (primarily software releases). The increase during the year to $2.4m relates to the ongoing development of various new products, including the connection-free communication controller.

The net book value of property, plant & equipment has remained at $2.3m due to the increase of $0.1m relating to the investment in replacing production equipment at South Houston, being offset by a similar depreciation charge.

The increase in the net book value of the rental fleet reflects the number of kits rising from 14, as at 1 April 2018, to 32 at the year-end, as previously mentioned.

The $1.5m increase in net working capital is due, primarily, to the management's decision to invest $0.7m in inventory relating to a collaborative development of a seamless "At-Bit" solution, which is now commercially available; underlying inventory rose by $0.5m and trade creditors reduced by $0.3m. Trade debtors were virtually unchanged.

Cash flows

Year to 31 March:	*2019*	*2018*
	$ million	*$ million*
Adjusted EBITDA	**2.5**	**0.2**
Change in net working capital	(1.5)	2.6
Operational cash generated	**1.0**	**2.8**
Investment in rental fleet	(3.8)	(2.2)
Investment in R&D	(1.3)	(0.7)
CAPEX	(0.2)	(0.2)
Equipment disposal proceeds	-	0.1
Interest and share issues	0.7	0.4
Net cash movement	**(3.6)**	**0.2**
Opening cash balances	15.5	15.3
Closing cash balances	**11.9**	**15.5**

Whilst the Group delivered a much-improved adjusted EBITDA for the period, the investment in working capital during the period meant that operational cash generated decreased to $1.0m from $2.8m as reported last year.

The continuing robustness of the balance sheet enabled further expansion of our market share through further investment to increase the number of kits in our rental fleet.

The increase in R&D spend reflects the expansion of the number of engineering projects. These now include the previously mentioned development of a new connection-free communication controller, in addition to the next software upgrade and a number of other future revenue enhancing projects.

The CAPEX relates to the replacing of various production related equipment.

Overall, the Group saw a net cash outflow of $3.6m (2018: $0.2m inflow) reducing the Group's closing cash balance as at 31 March 2019 to $11.9m.

Financial Capital Management

Enteq's financial position continues to be robust. Enteq had no bank borrowings, or other debt, and had a closing cash position of $11.9m as at 31 March 2019.

Enteq monitors its cash balances daily and operates under treasury policies and procedures which are set by the Board.

The financial statements are presented in US dollars as the Company's primary economic environment, in which it operates and generates cash flows, is one of US dollars. Apart from its UK based overhead costs, substantially all other transactions are transacted in US dollars.

Enteq is subject to the foreign exchange rate fluctuations to the extent that it holds non-US Dollar cash deposits. The year end GBP denominated holdings are approximately 1% of total cash holdings, the same level as last year's.

Annual Report and Accounts

The 2019 Annual Report and Accounts has today been sent to shareholders and is available on the Company's website, www.enteq.com.

Annual General Meeting

The Company's Annual General Meeting will be held on 25 September 2019 at 12.00 noon at the offices of Investec Bank plc, 30 Gresham Street, London EC2V 7QP.

Copies of these documents can also be obtained during normal business hours at the registered office of the company:

The Courtyard
High Street
Ascot
Berks SL5 7HP

David Steel

Finance Director

Enteq Upstream Plc
Consolidated Income Statement

	Notes	*Year to 31 March 2019* $ 000's Total	*Year to 31 March 2018* $ 000's Total
Revenue	*2*	**10,204**	6,460
Cost of Sales		**(3,546)**	(2,141)
Gross Profit		**6,658**	4,319
Administrative expenses before amortisation		**(6,952)**	(4,994)
Amortisation of acquired intangibles	*6b*	**(116)**	(92)
Other exceptional items	*3*	**(7)**	(57)
Foreign exchange profit on operating activities		**6**	48
Total Administrative expenses		**(7,069)**	(5,095)
Operating loss		**(411)**	(776)
Finance income		**246**	175
Loss before tax		**(165)**	(601)
Tax	*4*	**67**	(3)
Loss for the period		**(98)**	(604)
Loss attributable to:			
Owners of the parent		**(98)**	(604)
Loss per share (in US cents):	*5*		
Basic		**(0.2)**	(1.0)
Diluted		**(0.2)**	(1.0)
Adjusted loss per share (in US cents):	*5*		
Basic		**-**	(0.8)
Diluted		**-**	(0.8)

Enteq Upstream Plc

Consolidated Statement of Comprehensive Income

	Year to 31 March 2019	*Year to 31 March 2018*
	$ 000's	*$ 000's*
Loss for the year	**(98)**	(604)
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	**(98)**	(604)
Total comprehensive income attributable to:		
Owners of the parent	**(98)**	(604)

Enteq Upstream Plc
Consolidated Statement of Financial Position

	Notes	*As at 31 March 2019*	*As at 31 March 2018*
	Notes	*$ 000's*	*$ 000's*
Assets			
Non-current			
Goodwill	*6a*	-	-
Intangible assets	*6b*	2,394	1,222
Property, plant and equipment		5,895	4,503
Trade and other receivables		334	238
Non-current assets		8,623	5,963
Current			
Trade and other receivables		2,020	2,104
Inventories		4,512	3,302
Cash and cash equivalents		11,930	15,501
Current assets		18,462	20,907
Total assets		**27,085**	**26,870**
Equity and liabilities			
Equity			
Share capital		1,005	982
Share premium		91,398	91,031
Share based payment reserve		750	910
Retained earnings		(69,105)	(69,351)
Total equity		24,048	23,572
Liabilities			
Current			
Trade and other payables		3,037	3,298
Total liabilities		3,037	3,298
Total equity and liabilities		**27,085**	**26,870**

Enteq Upstream Plc

Consolidated Statement of Changes in Equity

	Called up share capital *$ 000's*	Retained earnings *$ 000's*	Share premium *$ 000's*	Share based payment reserve *$ 000's*	Total equity *$ 000's*
As at 1 April 2018	**982**	**(69,351)**	**91,031**	**910**	**23,572**
Issue of share capital	23	-	367	-	390
Share based payment charge	-	-	-	184	184
Transfer of reserves	-	344		(344)	-
Transactions with owners	23	344	367	(160)	574
Loss for the year	-	(98)	-	-	(98)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income	-	(98)	-	-	(98)
Total movement	23	246	367	(160)	476
As at 31 March 2019	**1,005**	**(69,105)**	**91,398**	**750**	**24,048**

	Called up share capital *$ 000's*	Retained earnings *$ 000's*	Share premium *$ 000's*	Share based payment reserve *$ 000's*	Total equity *$ 000's*
As at 1 April 2017	**963**	**(68,747)**	**90,718**	**806**	**23,740**
Issue of share capital	19	-	313	-	332
Share based payment charge	-	-	-	104	104
Transactions with owners	19	-	313	104	436
Loss for the year	-	(604)	-	-	(604)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income	-	(604)	-	-	(604)
Total movement	19	(604)	313	104	(168)
As at 31 March 2018	**982**	**(69,351)**	**91,031**	**910**	**23,572**

Enteq Upstream Plc

Consolidated Statement of Cash Flows

	Year to 31 March 2019	Year to 31 March 2018
	$ 000's	*$ 000's*
Cash flows from operating activities		
Loss for the year	(98)	(604)
Tax (credit)/charge	(67)	3
Net finance income	(246)	(175)
Gain on disposal of fixed assets	(9)	(82)
Share-based payment non-cash charges	186	104
Foreign exchange charge	(6)	(48)
Depreciation and Amortisation charges	2,691	853
	2,451	51
Tax paid	-	(1)
(Increase)/decrease in inventory	(1,210)	64
(Increase)/decrease in trade and other receivables	(14)	1,582
(Decrease)/increase in trade and other payables	(197)	910
Net cash from operating activities	**1,030**	**2,781**
Investing activities		
Purchase of Property Plant and Equipment	(213)	(236)
Increase in rental fleet assets	(3,754)	(2,222)
Disposal proceeds of tangible fixed assets	9	133
Purchase of intangible fixed assets	(1,286)	(670)
Interest received	246	175
Net cash from investing activities	(4,998)	(2,995)
Financing activities		
Share issue	391	332
Net cash from financing activities	391	332
Decrease/(increase) in cash and cash equivalents	**(3,577)**	**118**
Non-cash movements - foreign exchange	6	48
Cash and cash equivalents at beginning of period	15,501	15,335
Cash and cash equivalents at end of period	**11,930**	**15,501**

1. BASIS OF PREPARATION

The results for the year ended 31 March 2019 have been prepared using the accounting policies and methods of computation consistent with those used in the Group's annual report for the year ended 31 March 2018. The results have also been presented and prepared in a form consistent with that which will be adopted in the Group's annual report for the year ended 31 March 2019 and in accordance with the recognition and measurement requirements of the International Financial Reporting Standards as adopted by the European Union.

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 March 2019 and the year ended 31 March 2018, but is derived from those accounts. Statutory accounts for 2018 have been delivered to Companies House. Those for the year ended 31 March 2019 will be delivered following the Company's Annual General Meeting on 25 September 2019.

The financial information has been extracted from the Group's Annual Report for the year ended 31 March 2019. The auditors have reported on these accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006. The Group intends to publish its 2019 Annual Report and Accounts in June 2019.

2. 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 are 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 3, below.

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

<u>Revenues</u>

	31 March 2019 *$ 000's*	31 March 2018 *$ 000's*
North America	9,251	6,017
Rest of the world	953	443
Total Group revenue	10,204	6,460

<u>Net Assets</u>

	31 March 2019 *$ 000's*	31 March 2018 *$ 000's*
Europe (UK)	10,315	13,673
United States	13,733	9,899
Total Group net assets	24,048	23,572

<u>Non-current Assets</u>

	31 March 2019 *$ 000's*	31 March 2018 *$ 000's*
Europe (UK)	-	-
United States	8,623	5,963
Total Group non-current assets	8,623	5,963

All of the Group's revenue arises from the sale and rental of specialised parts and products for Directional Drilling and Measurement While Drilling operations. The Group had 3 customers that contributed in excess of 10% of the Group's total sales for the year (2018: 3). These customers contributed $2,617k, $1,286k and $1,122k respectively. (2018: $1,371k, $927k and $881k). No revenue relates to customers based in the UK (2018: none).

3. PROFIT AND LOSS ANALYSIS

The following analysis illustrates the performance of the Group's activities, and reconciles the Group's loss for the period, as shown in the consolidated income statement, to adjusted earnings and adjusted EBITDA.

Adjusted earnings and adjusted EBITDA 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.

	31 March 2019 *$ 000's*	31 March 2018 *$ 000's*
Loss attributable to ordinary shareholders	(98)	(604)
Exceptional items	7	57
Amortisation of acquired intangible assets *(note 6b)*	116	92
Foreign exchange movements	(6)	(48)
Adjusted earnings	**19**	**(503)**
Depreciation charge	2,575	760
Finance income	(246)	(175)
Performance Share Plan charge	173	138
Tax (credit)/charge *(note 4)*	(67)	3
Adjusted EBITDA	**2,454**	**223**

The exceptional items can be analysed as follows:

	31 March 2019 *$ 000's*	31 March 2018 *$ 000's*
Severance payments and other plant closure costs	16	143
Gain on sale of fixed assets	(9)	(82)
Other	-	(4)
Total exceptional items	7	57

4. 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 2019 $ 000's	31 March 2018 $ 000's
Loss on ordinary activities before tax	(165)	(601)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%):	(31)	(114)
Effects of:		
Items not subject to corporation tax	511	170
Tax losses to carry forward	(480)	(56)
Texas State Franchise Tax	5	3
Release of previous year over accrual for Texas State Franchise Tax	(72)	-
Total income tax	(67)	3

There has been no deferred taxation recognised in these financial statements due to the uncertainty surrounding the timing of the recovery of these amounts. The total losses available to the Group in the relevant tax jurisdictions are as follows: UK $0.7m; United States $15.7m (2018: UK $1.7m; United States $15.9m). There were no significant deferred tax liabilities.

5. 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 $98k (31 March 2018: loss of $604k) by the weighted average number of ordinary shares in issue during the year of 63,297k (31 March 2018: 61,616k).

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 profit of $19k (31 March 2018: loss of $503k), by the weighted average number of ordinary shares in issue during the year of 63,297k (31 March 2018: 61,616k).

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

The 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 2019: EPS	Earnings	Weighted average number of shares	Per-share amount
	$ 000's	*000's*	*US cents*
Loss attributable to ordinary shareholders	(98)	63,297	(0.2)
Exceptional items	7		
Amortisation of acquired intangible assets	116		
Foreign exchange movements	(6)		
Adjusted profit attributable to ordinary shareholders	19	63,297	-

March 2018: EPS	Earnings	Weighted average number of shares	Per-share amount
	$ 000's	*000's*	*US cents*
Loss attributable to ordinary shareholders	(604)	61,616	(1.0)
Exceptional items	57		
Amortisation of acquired intangible assets	92		
Foreign exchange movements	(48)		
Adjusted loss attributable to ordinary shareholders	(503)	61,616	(0.8)

During the year Enteq Upstream Plc did not pay any dividends (2018: nil).

6. INTANGIBLE ASSETS

a) Goodwill

	$ 000's
Cost:	
As at 1 April 2018 and as at 31 March 2019	19,619
Impairment:	
As at 1 April 2018 and as at 31 March 2019	19,619
Net Book Value:	
As at 1 April 2018 and as at 31 March 2019	-

b) Other Intangible Assets

	Developed technology	IPR&D technology	Brand names	Customer relationships	Non-compete agreements	Total
	$ 000's	*$ 000's*	*$ 000's*	*$ 000's*	*$ 000's*	*$ 000's*
Cost:						
As at 1 April 2018	12,676	8,164	1,240	20,586	5,931	48,597
Capitalised in period	147	1,141	-	-	-	1,288
As at 31 March 2019	12,823	9,305	1,240	20,586	5,931	49,885
Amortisation/Impairment:						
As at 1 April 2018	12,510	7,108	1,240	20,586	5,931	47,375
Charge for the year	116	-	-	-	-	116
As at 31 March 2019	12,626	7,108	1,240	20,586	5,931	47,491
Net Book Value:						
As at 1 April 2018	165	1,057	-	-	-	1,222
As at 31 March 2019	197	2,197	-	-	-	2,394

	Developed technology	IPR&D technology	Brand names	Customer relationships	Non-compete agreements	Total
	$ 000's	*$ 000's*	*$ 000's*	*$ 000's*	*$ 000's*	*$ 000's*
Cost:						
As at 1 April 2017	12,676	7,495	1,240	20,586	5,931	47,928
Capitalised in period	-	669	-	-	-	6,769
As at 31 March 2018	12,676	8,164	1,240	20,586	5,931	48,597
Amortisation/Impairment:						
As at 1 April 2016	12,418	7,108	1,240	20,586	5,931	47,283
Charge for the year	92	-	-	-	-	92
As at 31 March 2018	12,510	7,108	1,240	20,586	5,931	47,375
Net Book Value:						
As at 1 April 2017	258	387	-	-	-	645
As at 31 March 2018	165	1,057	-	-	-	1,222

The main categories of Intangible Assets are as follows:

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

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

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

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

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 2019 indicated that there was no impairment of the full carrying value of both goodwill and intangible assets.

There is deemed to be just one cash generating unit ("CGU") within the Company. In previous years there were deemed to be two, but from a financial & operational perspective both US locations are now being run as one unit.

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the future revenues, discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessment of the time value of money and the risks specific to the CGU. The growth rates are based on management forecasts for the five years to March 2024. Cash flow forecasts are prepared from the most recent financial plans approved by the Board.

The forecasts assume annual growth rates between 1% and 20% until 2024 and 3% 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 13.5% (2018: 13.6%). Management have based this rate on the following factors: a Risk Free Rate of 3.0%; a levered equity beta of 1.5; a market risk premium of 5.5%; a small cap premium of 3.8% and an implied cost of debt of 4.5%.

Intangible assets

Any intangible assets acquired during the year represents their fair value at the date of acquisition.

Amortisation

All categories of intangible assets, apart from the Goodwill and the IPR&D technology, are being amortised over their respective useful lives, on a straight-line basis. The remaining amortisation period of the intangible assets is between 26 and 34 months.

7. GOING CONCERN

After considering the current financial projections of the Group and taking into account the cash needs of the business and availability of funds, the Directors have a reasonable expectation that the group has adequate resources to continue its operations for the foreseeable future. For this reason, they continue to adopt a “going concern” basis in preparing the Annual Report.

8. RESPONSIBILITY STATEMENT OF THE DIRECTORS

To the best of the knowledge of the Directors (whose names and functions are set out below), the preliminary announcement has been prepared using accounting policies and methods of computation consistent with those used in the Group’s annual report for the year ended 31 March 2018 and adopted for the financial year ended 31 March 2019, gives a true and fair view of the assets, liabilities, financial position and profit for the Company and the undertakings included in the consolidation taken as a whole; and

Pursuant to Disclosure and Transparency Rules, Chapter 4, the Directors’ Report of the Company’s annual report will include a fair review of the development and performance of the business taken, together with a description of the principal risks and uncertainties faced by the business.

Executive Directors

Martin Perry	*Chief Executive Officer*
David Steel	*Finance Director*

Non-Executive Directors

Iain Paterson	*Chairman*
Robin Pinchbeck	