RNS Number : 2220O
Enteq Technologies PLC
29 September 2023

Enteq Technologies plc
("Enteq" or the "Company" or the "Group")

Final results for the year ended 31 March 2023

Enteq (AIM: NTQ.L), the energy services technology supplier, today announces its audited final results for the year ended 31 March 2023

Key features

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

Financial metrics

Years ended 31 March ($m):

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

**prior to intercompany interest charges*
***all central costs allocated to the continued operation*

Outlook

- Ongoing investment in the development and deployment of technologies with significantly enhanced market size and differentiation.

Andrew Law, CEO of Enteq Technologies plc, commented:

"The SABER project has reached a pivotal milestone, having achieved proof of SABER's novel concept whilst drilling in an operational test environment. The engineering programme and Norway testing during the year led up to the successful testing in Oklahoma which has provided us with validation needed to advance with SABER commercialisation.

A number of efforts were realised during the year to focus on generating cash to support the SABER project, notably the sale of the XXT product line and the sale of the property.

We look forward to working alongside selected customers and industry partners in different regions to bring this technology to the oil and gas, geothermal and methane abatement markets and to deliver a positive and disruptive impact."

[1] The reconciliation between Underlying overheads and Administrative expenses before amortisation is follows:

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

[2] The reconciliation between Loss attributable to shareholders and Adjusted EBITDA is follows:

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

Both the above alternative performance measures are shown as the Board consider these to be key to the management as the business as a whole.

[3] The cash balance includes:

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

The Company also separately issued today an AGM Trading Statement.

For further information, please contact:

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Andrew Law, Chief Executive Officer
Mark Ritchie, Chief Financial Officer

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Ed Frisby, Fergus Sullivan (Corporate Finance)
Andrew Burdis, Barney Hayward (ECM)

Combined Chief Executive and Chairman's report

Introduction

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

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

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

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

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

Enteq plans to maximise growth through the commercialisation of SABER and associated technologies in the substantial global directional drilling market.

Sale of XXT

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

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

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

Review of the Year

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

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

Continued customer and industry engagement on the SABER project confirmed there is a high degree of appetite for this technology. SABER remains on-track for commercialisation, with existing resources in place to complete the remaining phase of the development project. A phased roll out is planned in 2024.

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

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

Staff

There were a total of 13 employees at the end of the year, down from the 15 at the previous year end. The Board would like to recognise the on-going loyalty, dedication, and support of the staff as Enteq continues with its excellent reputation for the reliability of equipment and commitment to customer support.

Prospects

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

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

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

Financial Review

Income Statement

This is a pro-forma statement which is different in presentation to the statutory format shown on page 35.

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

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

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

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

Total underlying overheads, at $2.3m were at the same level as last year's figure. This reflected the concentration on reducing all levels of overheads in previous years without impacting the level of customer support given.

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

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

Statement of Financial Position

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

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

As at 31 March:	*2023 $million*	*2022 $million*
Intangible assets	6.4	4.1
Property, plant & equipment	0.1	2.2
Rental fleet	-	0.3
Net working capital	(1.0)	4.1
Assets held for sale	2.2	-

Assets held for sale	2.2	
Cash balance	5.4	4.8
Net assets	**13.1**	**15.5**

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

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

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

The net working capital of ($1.0m) has decreased by $5.1m during the year. This is primarily due to a decrease in all major components; debtors down by $3.3m; inventory down $2.4m countered by creditors down $0.6m. All these movements relate to the strategic decision to move away from the lower margin MWD market and no longer offering extended credit terms to the major customers.

Cash flows

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

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

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

Financial Capital Management

Enteq's financial position continues to be robust. Enteq had no bank borrowings, or other debt, and had a closing cash position of $5.3m as at 31 March 2023 ($4.8m as at 31st March 2022).

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

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

Enteq is subject to the foreign exchange rate fluctuations to the extent that it holds non-US Dollar cash deposits. The year-end GBP denominated holdings are approximately 3% of total cash holdings, down from the 5% of last year's balance.

Annual General Meeting

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

Annual Report and Notice of General Meeting

The Company's 2023 Annual Report and Accounts (together with a notice of General Meeting proposing an ordinary resolution to receive the report of the directors, the audited annual accounts and the auditors' report), will be available on the Company's website later today, and will today be posted to those shareholders who have requested to receive copies. The General Meeting will take place at 11.00 a.m. on Monday 30 October 2023 at the offices of Cavendish Financial plc, 1 Bartholomew Close, London, EC1A 7BL.

Mark Ritchie

Chief Financial Officer

29 September 2023

Enteq Technologies Plc

Consolidated Statement of profit or loss and other comprehensive income

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

Enteq Technologies Plc

Consolidated Statement of Financial Position

	As at 31 March 2023	As at 31 March 2022

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

Mark Ritchie

Director

Enteq Technologies Plc

Consolidated Statement of Changes in Equity

For year ended 31st March 2023

	Called up share capital *$ 000's*	Retained earnings *$ 000's*	Share premium *$ 000's*	Share based payment reserve *$ 000's*	Total equity *$ 000's*
As at 1 April 2022	**1,072**	**(77,894)**	**91,919**	**432**	**15,529**

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

The accounting policies and notes on pages 40 to 64 form part of these financial statements.

Enteq Technologies Plc

Consolidated Statement of Cash Flows

	Year to 31 March 2023	Year to 31 March 2022
	$ 000's	$ 000's
Cash flows from operating activities		
Loss from continued activities	(1,638)	(1,554)
Loss from discontinued activities	(1,446)	767
Finance income	(37)	(16)
Gain on disposal of FA's	(292)	(30)
Share-based payment non-cash charges	225	194
Foreign exchange difference	5	(40)
Depreciation/Amortisation	1,162	840
	(2,021)	163
Tax received from continuing operations	280	0
Decrease/(Increase) in inventory	1,681	478
Decrease in trade and other receivables	1,853	(964)
Decrease in trade and other payables	(617)	320
Increase in rental fleet assets	(255)	(817)
Net cash from operating activities	**921**	**(822)**

Investing activities		
Purchase of tangible fixed assets	(25)	(58)
Disposal proceeds of tangible fixed assets	2,266	30
Purchase of intangible fixed assets	(2,639)	(2,614)
Funds place on interest nearing deposit	1,500	(1,500)
Interest received	37	16
Net cash from investing activities	**1,139**	**(4,127)**
Financing activities		
Share issue	-	145
Net cash from financing activities	-	145
Increase in cash and cash equivalents	2,060	(4,803)
Non-cash movements - foreign exchange	(5)	40
Cash and cash equivalents at beginning of period	3,296	8,059
Cash and cash equivalents at end of period	5,351	3,296

1. BASIS OF PREPARATION

The Group's financial statements have been prepared on an accrual basis and under the historical cost convention. Monetary amounts are expressed in US dollars and are rounded to the nearest thousands, except for earnings per share.

The Company's financial statements are presented in US dollars as the Company's primary economic environment, in which it operates and generates cash flows uses this currency.

SEGMENTAL REPORTING

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

The principal activities of the group is the design, manufacture and selling of specialised parts and products for Directional Drilling and Measurement While Drilling operations for use in the energy exploration and services sector of the Oil and Gas industry. Revenue is only generated by the selling activity.

At present, there is only one operating segment and the information presented to the board is consistent with the consolidated profit and loss statement and the consolidated statement of financial position.

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

Revenues

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

	31 March 2023	31 March 2022
	$ 000's	*$ 000's*
Contracts with customers	5,701	6,364
Operating lease income	544	942

Total Group revenue	6,245	7,306

Net Assets

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

Non-current Assets

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

All of the Group's revenue arises from the sale and rental of specialised parts and products for Directional Drilling and Measurement While Drilling operations. The Group had 2 customers that contributed in excess of 10% of the Group's total sales for the year (2022: 2). These customers contributed $2,903k and $1,520k respectively. (2022: $4,086k and $1,014k). No revenue relates to customers based in the UK (2022: none).

2. EXCEPTIONAL ITEMS

The exceptional items can be analysed as follows:

	31 March 2023	31 March 2022
	$ 000's	*$ 000's*
Reduction in value of inventory	554	-
Reduction in value of trade receivables	212	-
Bad debt written off	140	-
Severance payments and other plant closure costs	14	37
Gain on sale of fixed assets	(292)	(30)
Other	68	-
Total exceptional items	696	7

All exceptional items relate to discontinued activities.

3. INCOME TAX

Analysis of tax expense

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

Factors affecting the tax charge

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

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

There has been no deferred taxation recognised in these financial statements due to the uncertainty surrounding the timing of the recovery of these amounts. The total losses available to the Group in the relevant tax jurisdictions are as follows: UK $0.0m; United States $22.6m (2022: UK $0.5m; United States $22.2m). There were no significant deferred tax liabilities. These tax losses have no expiry date. Tax losses for which no deferred tax balances have been recognised are disclose in Note 14.

4. EARNINGS PER SHARE AND DIVIDENDS

Basic earnings per share

Basic earnings per share is calculated by dividing the loss attributable to ordinary shareholders for the year of $2,804k (31 March 2022: loss of $787k) by the weighted average number of ordinary shares in issue during the year of 69,484k (31 March 2022: 68,604k).

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

The number of outstanding share options, including senior managers, that are not included in the above figures are as follows:

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

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March 2023: EPS	Earnings	Weighted average number of shares	Per-share amount
	$ 000's	*000's*	*US cents*
Loss attributable to ordinary shareholders	2,804	69,484	(4.0)

March 2022: EPS	Earnings	Weighted average number of shares	Per-share amount
	$ 000's	*000's*	*US cents*
Loss attributable to ordinary shareholders	787	68,604	(1.1)

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

5. INTANGIBLE ASSETS

Other Intangible Assets

	Developed technology	IPR&D technology	Brand names	Customer relationships	Total
	$ 000's	*$ 000's*	*$ 000's*	*$ 000's*	*$ 000's*
Cost:					
As at 1 April 2022	13,237	15,267	1,240	-	29,744
Transfer	102	(102)	-	-	-
Capitalised in period	-	2,639	-	-	2,639

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

The main categories of Intangible Assets are as follows:

Developed technology:

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

IPR&D technology:

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

Brand names:

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

Customer relationships:

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

Impairment Review

Impairment Review

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

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

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

Changes to the above assumptions would impact the valuation assessment.

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

(i) The directors have assumed a phased build-up of rental units to be in operation in each key region from 1 April 2024 onwards. Sensitivity workings with a reduction to the total of 10 rental units showed a decrease in valuation by between $2 million to $4 million.

(ii) The discount rate applied to the cashflows. Sensitivity workings with a discount rate 5% higher at 30% would decrease the valuation by between $3.0 million and $6.0 million.

(iii) Inflation - an increase in the inflation assumption above that assumed by the directors valuation of 5%.

(iv) Growth rates - The directors have assumed growth rates in revenues of 33% once the SABER business has been established, resulting from the fleet expansion.

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

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

6. RESPONSIBILITY STATEMENT OF THE DIRECTORS

To the best of the knowledge of the Directors (whose names and functions are set out below), the final results 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 2022 and adopted for the financial year ended 31 March 2023, gives a true and fair view of the assets, liabilities, financial position and profits and losses for the Company and the undertakings included in the consolidation taken as a whole.

Executive Directors	
Andrew Law	*Chief Executive Officer*
Mark Ritchie	*Chief Financial Officer*
Non-Executive Directors	
Martin Perry	*Chairman*
Neil Hartley	

END

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