REGISTERED NUMBER: SC206333 (Scotland)

Group Strategic Report, Report of the Directors and Consolidated Financial Statements for the Year Ended 31 December 2016

for

Target Energy Group Limited

Target Energy Group Limited

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for the Year Ended 31 December 2016

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Company Information
for the Year Ended 31 December 2016

DIRECTORS:	N Al Alawai H Al Mansoori A Al Mansoori
SECRETARY:	Stronachs Secretaries Limited
REGISTERED OFFICE:	34 Albyn Place Aberdeen United Kingdom AB10 1FW
REGISTERED NUMBER:	SC206333 (Scotland)
AUDITORS:	Deloitte LLP Statutory Auditor Union Plaza 1 Union Wynd Aberdeen AB11 6FF United Kingdom
BANKERS:	HSBC 2 Queen's Road Aberdeen AB15 4ZT
SOLICITORS:	Stronachs 34 Albyn Place Aberdeen AB10 1FW

Target Energy Group Limited

Strategic Report
for the Year Ended 31 December 2016

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activities
Target Energy Group Limited is the holding company for a Group of Companies whose principal activity is the provision of well placement services, primarily directional drilling, measurement while drilling, logging while drilling and surveying services to the oil and gas industry. The Group operates in Europe and Africa.

Business review, key performance indicators, current and future developments
The Group's key financial performance indicators include revenue, loss for the year and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA). Revenue in the year was £3.2m, a decrease of £4.3m (57%) from 2015. The loss for the year amounted to £3.0m (2015: loss of 2.8m). Net liabilities as at 31 December 2016 were £1.2 m (2015: £1.8m). The downturn in the oil market was the main reason behind the decrease in revenue and the increase in loss.

The Group recorded negative EBITDA from continuing operations of £1.9m compared to negative EBITDA of £1.3m in 2015. A comparison of EBITDA performance is summarised below:

	2016 £	2015 £
Loss for the year	(2,978,810)	(2,786,106)
Tax charge	382,977	329,280
Depreciation	679,162	1,116,717
Finance costs	45,354	55,979
EBITDA	(1,871,317)	(1,284,130)

The directors expect a significant increase in activity levels, for both the Group and the industry, in the forthcoming year with the main element of the Group's increase coming from the recently awarded projects in Kazakhstan and Azerbaijan. In addition the directors also expect an increase in activity levels in the UK and Europe. During 2016 the Group successfully finalised the development of an enhanced level of Measurement While Drilling tool and expect rental and sales of this tool in the 2nd half of 2017.

Principal risks and uncertainties
Principal risks faced by the Group include changing oil prices, changing legislation and the undertaking of operations in various overseas and remote jurisdictions. The oil and gas industry is in the midst of a prolonged worldwide downturn in commodity prices, which has an indirect effect on the Group. The directors expect the Group to continue trading profitably by diversifying into the steam energy industry and expanding to new markets. The directors monitor changes in law and seek relevant advice for each country of operation. Regular reviews of health and safety requirements, employment law and environmental law are undertaken to ensure procedures remain appropriate and relevant.

The United Kingdom European Union membership referendum that took place on 23 June 2016 resulted in an overall vote to leave the European Union. In the short-term, the directors do not expect the significant effect of such on the Group and its operations. However the longer term political and economic effects of this event will depend on the arrangements negotiated between the United Kingdom and European Union. The Directors continue to monitor the situation closely and review potential risks to the Group.

ON BEHALF OF THE BOARD:

....	....	....
Nabil Abdulla Yahya Al Alawi - Director	Helal Mubarak Eissa Al Mansoori - Director	Abdulla Nasser Huwaileel Al Mansoori - Director
Date: 8/9/17	Date: 8/9/17	Date: 8/9/17

The directors present their annual report and the audited financial statements for the year ended 31 December 2016.

Future developments and events after the balance sheet date
Details of current and future developments can be found in the Strategic Report. There has been no event subsequent to the date of the financial statements for which the applicable financial reporting framework would require adjustment or disclosure.

Dividends
During the year no dividends were paid or proposed (2015: £nil).

Branches outside the UK
The Group has a branch registered in France and a branch registered in Tanzania.

Financial risk management objectives and policies
The Group's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk.

Cash flow risk
The international activities expose the Group to risks of changes in foreign currency rates. The Group seeks to mitigate this by seeking natural hedges between income and expenditure and monitoring ongoing exposure.

Credit risk
The principal financial assets are bank balances and trade debtors. The credit risk on liquid funds is limited as the counterparties are banks with assigned credit ratings from international agencies. The Group's credit risk is primarily attributable to its trade debtors. These are held in the balance sheet net of allowances for doubtful debtors. The Group has a significant concentration of debtors in a small number of customers, and monitors payment profiles on an ongoing basis.

Liquidity risk
In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments the Group uses a mixture of parent company funding and bank overdraft facilities.

Going concern
The Company and the Group's business activities, together with principal factors likely to affect future performance development and financial position are set out above.

The Group meets its day to day working capital requirements through bank overdraft and Group funding arrangements. The Company and the Group's forecasts and projections, taking account of reasonable possible changes in trading performance, indicate that the Group should be profitable and cash generative in the coming year. After consideration of the foregoing, including the continuing availability of funding support from its related party, Al Mansoori Petroleum Services LLC, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Directors
The directors, all of whom have served throughout the year and to date of this report are listed on page 1.

Each of the persons who is a director at the date of approval of this report confirms that:
- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

The confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor
Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

ON BEHALF OF THE BOARD:

....	....	....
Nabil Abdulla Yahya Al Alawi - Director	Helal Mubarak Eissa Al Mansoori - Director	Abdulla Nasser Huwaileel Al Mansoori - Director
Date: 8/9/17	Date: 8/9/17	Date: 8/9/17

Statement of Directors' Responsibilities for the Year Ended 31 December 2016

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's and the Group's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Report of the Independent Auditors to the Members of
Target Energy Group Limited

We have audited the financial statements of Target Energy Group Limited for the year ended 31 December 2016 which comprise the Consolidated Statement of Profit or Loss, the Consolidated Statement of Financial Position, Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

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

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or Report of the Directors.

Matters on which we are required to report by exception

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

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

G. Hollis

Graham Hollis, ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Aberdeen
United Kingdom

Date: 21 September 2017

Target Energy Group Limited

Consolidated Statement of Profit or Loss
for the Year Ended 31 December 2016

	Notes	2016 £	2015 £
Revenue	5	3,219,230	7,485,451
Cost of sales		(4,434,493)	(7,953,642)
GROSS LOSS		(1,215,263)	(468,191)
Administrative expenses		(1,335,216)	(1,934,922)
OPERATING LOSS		(2,550,479)	(2,403,113)
Gain on sales of property, plant and equipment		-	2,266
Finance costs (net)	7	(45,354)	(55,979)
LOSS BEFORE TAX	8	(2,595,833)	(2,456,826)
Tax on loss	9	(382,977)	(329,280)
LOSS FOR THE YEAR		(2,978,810)	(2,786,106)

All activities relate to continuing operations.

The Group has no other comprehensive income in the current or prior year. Accordingly, no separate consolidated statement of comprehensive income is presented.

Target Energy Group Limited

Consolidated Statement of Financial Position
31 December 2016

	Notes	2016 £	2015 £
NON-CURRENT ASSETS			
Intangible assets	11	-	723,702
Property, plant and equipment	12	1,183,788	1,422,928
		1,183,788	2,146,630
CURRENT ASSETS			
Inventories	14	566,525	529,092
Trade and other receivables	15	3,131,322	3,964,962
Cash and bank balances		6,764	202,936
		3,704,611	4,696,990
CURRENT LIABILITIES	16	(5,485,665)	(4,462,076)
NET CURRENT (LIABILITIES) / ASSETS		(1,781,054)	234,914
NON-CURRENT LIABILITIES			
Non-equity shares	17	(555,599)	(555,599)
		(555,599)	(555,599)
NET (LIABILITIES) / ASSETS		(1,152,865)	1,825,945
EQUITY			
Called up share capital	20	4,790	4,790
Share premium		5,005,536	5,005,536
Translation reserve		1,527,959	1,527,959
Accumulated losses		(7,691,150)	(4,712,340)
TOTAL (DEFICIT) / EQUITY		(1,152,865)	1,825,945

The financial statements were approved by the Board of Directors on 8-9-17 and were signed on its behalf by:

Nabil Abdulla Yahya Al Alawi
Director
Date: 8/9/17

Helal Mubarak Eissa Al Mansoori
Director
Date: 8/9/17

Abdulla Nasser Huwaileel Al Mansoori
Director
Date: 8/9/17

Target Energy Group Limited (Registered number: SC206333)

Company Statement of Financial Position
31 December 2016

	Notes	2016 £	2015 £
ASSETS			
NON-CURRENT ASSETS			
Investments	13	60,041	60,041
		60,041	60,041
CURRENT ASSETS			
Trade and other receivables	15	-	4,822,791
CURRENT LIABILITIES	16	(68,000)	(75,000)
NET CURRENT ASSETS		(7,959)	4,747,791
NON-CURRENT LIABILITIES			
Non-equity shares	17	(555,599)	(555,599)
		(555,599)	(555,599)
NET CURRENT (LIABILITIES) /ASSETS		(563,558)	4,252,233
EQUITY			
Called up share capital	20	4,790	4,790
Share premium		5,005,536	5,005,536
Translation reserve		1,527,959	1,527,959
Accumulated losses		(7,101,843)	(2,286,052)
TOTAL (DEFICIT) / EQUITY		(563,558)	4,252,233
Company's (loss)/ profit for the financial year		(4,815,791)	98,458

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these accounts, the loss attributable to the Company is disclosed in the footnote to the Company's balance sheet.

The financial statements were approved by the Board of Directors on 8-9-17 and were signed on its behalf by:

Nabil Abdulla Yahya Al Alawi Director Date: 8/9/17	Helal Mubarak Eissa Al Mansoori Director Date: 8/9/17	Abdulla Nasser Huwaileel Al Mansoori Director Date: 8/9/17

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2016

	Called up share capital £	Accumulated losses £	Share premium £	Translation reserve £	Total equity £
Balance at 1 January 2015	4,790	(1,926,234)	5,005,536	1,527,959	4,612,051
Changes in equity					
Total comprehensive income	-	(2,786,106)	-	-	(2,786,106)
Balance at 31 December 2015	4,790	(4,712,340)	5,005,536	1,527,959	1,825,945
Changes in equity					
Total comprehensive income	-	(2,978,810)	-	-	(2,978,810)
Balance at 31 December 2016	4,790	(7,691,150)	5,005,536	1,527,959	(1,152,865)

Target Energy Group Limited

Company Statement of Changes in Equity
for the Year Ended 31 December 2016

	Called up share capital £	Accumulated losses £	Share premium £	Other reserves £	Total equity £
Balance at 1 January 2015	4,790	(2,384,510)	5,005,536	1,527,959	4,153,775
Changes in equity					
Total comprehensive income	-	98,458	-	-	98,458
Balance at 31 December 2015	4,790	(2,286,052)	5,005,536	1,527,959	4,252,233
Changes in equity					
Total comprehensive income	-	(4,815,791)	-	-	(4,815,791)
Balance at 31 December 2016	4,790	(7,101,843)	5,005,536	1,527,959	(563,558)

Consolidated Statement of Cash Flows
for the Year Ended 31 December 2016

	Notes	2016 £	2015 £
Net cash from operating activities	27	(1,774,999)	(2,055,666)
Cash flows from investing activities			
Purchase of intangible assets		-	(326,948)
Purchase of property, plant and equipment		-	(29,305)
Sale of property, plant and equipment		-	32,778
Loan repaid by related party		1,052,940	674,495
Net cash inflow from investing activities		1,052,940	351,020
Net cash outflow before financing		(722,059)	(1,704,646)
Cash flows from financing activities			
Repayment of obligation under finance leases		-	(142,804)
Interest paid		(45,354)	(55,979)
Net cash outflow from financing activities		(45,354)	(198,783)
Decrease in cash and cash equivalents		(767,413)	(1,903,429)
Cash and cash equivalents at beginning of year		(1,455,126)	453,533
Effect of foreign exchange rate changes		-	(5,230)
Cash and cash equivalents at end of year	28	(2,222,539)	(1,455,126)

1. GENERAL INFORMATION

Target Energy Group Limited (the "Company" together with its subsidiaries, the "Group") is a private company limited by shares registered in Scotland and incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the Strategic Report on page 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

Restatement of Consolidated statement of profit or loss for the year ended 31 December 2015
The directors have decided that the nature of costs incurred by the business would be more accurately reflected in the financial statements by treating some costs previously included in administrative expenses as costs of sales. The effect of this on the prior year is to transfer costs of £2,161,550 previously reported as Administrative expenses, to Cost of Sales.

2. ADOPTION OF NEW AND REVISED STANDARDS

At the date of authorisation of these financial statements, the following new standards and interpretations were in issue, but not yet effective, and which the Company and Group have not early adopted:

	Effective Date
IFRS 9 'Financial Instruments'	1 January 2018
IFRS 15 'Revenue from contracts with customers'	1 January 2018
Annual Improvements to IFRSs: 2014-16 Cycle	1 January 2018
IFRS 16 Leases	1 January 2019
IAS 12 (Amendments) Recognition of Deferred Tax assets for Unrealised losses	1 January 2017
IAS 7 (Amendments) Disclosure initiative	1 January 2017

The impact of adoption of these standards and interpretations in the preparation of the financial statements in future periods is currently being assessed by management.

At the date of authorisation of the financial statements the Company and the Group adopted the following standards for which the Company and the Group has assessed and determined there was no material impact on its financial results and financial position:

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 1 Disclosure Initiative	1 January 2016
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to IFRS 10/IFRS 12/ IAS 28 'Sale or Contribution of Assets between an Investor and its Associate or Joint Venture'	1 January 2016
Amendments to IAS 27 Equity method in separate financial statements	1 January 2016
Amendments to IFRS Accounting for acquisitions and interest in joint ventures	1 January 2016

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company and the Group in future periods.

3. **BASIS OF PREPARATION - (continued)**

The financial statements of Target Energy Group Limited are prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared in accordance with IFRSs adopted by the European Union and therefore the Company and the Group financial statements comply with Article 4 of the EU IAS Regulation.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

The Group financial statements consolidate the financial statements of the Company and its subsidiaries drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Report of the Directors on page 3.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Revenue from a contract to provide services is recognised by reference to contractual rates and multiplied by days worked, labour hours once such are delivered and direct expenses incurred. Revenue from operating leases is recognised on a straight-line basis over the term of the relevant lease. Revenue from the sale of rental tools either lost in hole or damaged beyond repair is recognised once all the significant risks were transferred to customers and amount of such could be measured reliably, with the associated un-depreciated cost of the asset being included within cost of sales.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Foreign currency transactions

Amounts expressed in foreign currencies are retranslated into sterling at the average market rate of exchange ruling at the close of business at the period end. Transactions during the period are translated at the average market rates prevailing at the dates of the transactions. Exchange gains or losses arising are included in the consolidated statement of profit or loss.

3. **BASIS OF PREPARATION - (continued)**

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the consolidated statement of profit or loss, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any provision for impairment. Provision for depreciation of property, plant and equipment is made in equal annual instalments over their estimated useful economic lives, over the following periods:

Plant and equipment	5 - 10 years
Vehicles	4 years
Fixtures and fittings	5 years

Intangible assets - development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. **BASIS OF PREPARATION - (continued)**

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Investments

Investments held as fixed assets are stated at cost less provision for any impairment.

Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is calculated using the weighted average method. Net realisable value is based on estimated selling price less anticipated further costs to disposal. Reserve is recognised for obsolete, slow moving and defective stocks.

Retirement benefits

The Company and the Group makes contributions to defined contribution personal pension plans for eligible employees. Pension costs charged to the profit and loss account represent amounts payable for the period.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Group's financial assets include cash and trade and other receivables.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3. **BASIS OF PREPARATION - (continued)**

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company and the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

The Group's financial liabilities include trade and other payables, obligation under finance lease and non-equity shares.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

For the years ended 31 December 2016 and 31 December 2015 the financial instruments were represented by loans and receivables.

4. **Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Group accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies are as follows:

Recoverability of internally - generated intangible asset

As at 31 December 2016 £nil (2015: £723,702) of development costs were capitalised as directly attributable costs to development projects. The tools developed under development projects have been designed to meet a specific market requirement for the technology and the tools reached full commercial readiness as at 31 December 2016.

Recoverability of deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Deferred tax assets as of 31 December 2016 was £nil (2015: £nil).

Capitalisation of development expenditure

The cost of internally generated assets which were capitalised as intangible assets in prior years were reclassified due to the fact that the development tool was ready to generate economic benefit as at 31 December 2016.

4. **Critical accounting judgements and key sources of estimation uncertainty - (continued)**

Useful lives of property, plant and equipment

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the consolidated statement of profit or loss. The useful lives and residual values of Group's assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The useful lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. As at December 2016 more than half of Group's assets are fully depreciated despite being entirely repaired subsequent to return to the site, as such repair does not increase the capacity or improve the quality of output.

Reserve for slow moving inventories

Inventory is a significant component of current assets and is stated at the lower of cost and net realisable value. This requires management to record reserve for excess slow moving and obsolete inventory. Management believes that the reserves recognised as at 31 December 2016 of £406,153 (2015: £422,422) are adequate to properly value potential excess, slow moving and obsolete inventory under current conditions. Significant or unanticipated changes to those estimates and forecasts could impact the amount and timing of any additional reserves for excess, slow moving or obsolete inventory that may be required.

Allowance for bad debt

The Group's policy on provisioning for bad debts is based on the ongoing evaluation of the collectability, aged analysis of the outstanding receivables and management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of the receivables including creditworthiness, the past collection history and likelihood of any claim succeeding. If the financial conditions of the customers of the Group or likelihood of any claim initiated by Group were to deteriorate additional allowances may be required.

5. REVENUE

	2016	2015
	£	£
Continuing operations		
Rendering of services	3,219,230	7,340,474
Lost in hole	-	144,977
	3,219,230	7,485,451

6. EMPLOYEES AND DIRECTORS

	2016	2015
	£	£
Wages and salaries	1,806,206	3,154,918
Social security costs	341,177	597,799
Other pension costs (Note 24)	68,041	103,754
	2,215,424	3,856,471

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

	2016	2015
	No	No
Technical	28	42
Administration	15	21
	43	63

6. EMPLOYEES AND DIRECTORS (Continued)

The directors did not receive any emoluments for their services directly from the Company. Their remuneration is provided by the ultimate parent company, Al Mansoori Specialized Engineering LLC, which charges the Group for their services as part of a composite charge for management and administration services. It is not considered practical to apportion the directors' remuneration to this subsidiary on the basis of the level of service and accordingly no allocation has been made.

7. NET FINANCE COSTS

	2016 £	2015 £
Finance costs:		
Loan	45,354	49,799
Leasing	-	6,180
	45,354	55,979

8. LOSS BEFORE TAXATION

The loss before income tax is stated after charging:

	2016 £	2015 £
Depreciation		
- Owned assets	679,162	904,582
- Held under hire purchase contracts	-	212,135
Auditors' remuneration		
- Audit of the Company's annual financial statements	42,910	47,400
- Audit of the Company's subsidiaries	-	-
- Tax compliance services	45,286	53,314
Rentals under operating leases:		
- Land and buildings	127,673	241,437
- Other	63,523	26,927
Gain on sale of property, plant and equipment	-	(2,266)
Foreign exchange loss	(134,545)	(28,966)
Reversal/accrual of reserve for slow moving inventories	(16,268)	(20,615)
Reversal of bad debt expense	(173,060)	-
Bad debt expense	316,257	-
Withholding and VAT tax receivables provided	(45,463)	267,294
Cost of inventories charged as an expense	182,875	462,994

During the prior year the Group sold various Propagation Wave Resistivity (PWR) tools giving rise to a gain on disposal of £2,266 in 2015.

9. TAX ON LOSS

Analysis of tax expense

	2016	2015
	£	£
Foreign tax incurred	382,977	172,414
Total current tax	382,977	172,414
Deferred tax:		
Adjustment in respect of prior years	-	11,398
Original and reversal of timing differences	-	147,262
Effect of changes in tax rates	-	(1,794)
Total deferred tax	-	156,866
Total tax on loss	382,977	329,280

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 20 % (2015: 20.25%). The actual tax charge for the current and previous year differs from the standard rate for the reasons set out in the following reconciliation:

	2016	2015
	£	£
Loss before income tax	(2,595,833)	(2,456,826)
Tax on loss at standard rate	(529,795)	(568,167)
Factors affecting charge for the year:		
Non-deductible expenses	21,054	65,342
Foreign taxes in excess of UK tax	306,382	137,506
Tax rate changes	-	(1,795)
Adjustments in respect of prior year	-	11,964
Movement in unrecognised deferred tax	585,336	684,430
Tax	382,977	329,280

At 31 December 2016, the Group had an unrecognised deferred tax asset of £ 2,104,120 (2015: £1,670,570), arising from the availability of taxable trading losses for carry forward £1,823,308 (2015:£1,389,758) and accelerated capital allowances in respect of fixed assets of £280,812 (2015: £280,812). The ability of the Group to utilise the deferred tax asset depends on future trading performance. No further deferred tax asset has been recognised on trading losses as there is insufficient evidence of the availability of sufficient taxable profits in the foreseeable future.

The Finance Act 2013 announced reductions in the corporation tax rate to 21% from 1 April 2014 and to 20% from 1April 2015. The tax law was substantively enacted in the House of Commons on 2 July 2013. Further reductions in the corporation tax rate have been announced in Finance (No 2) Act 2015, which was substantively enacted on 18 November 2015. The tax rate from 1April 2017 reduced to 19% and from 1 April 2020 there is a further reduction to 18 %. A further reduction of the corporation tax rate to 17% from 1 April 2020 was substantively enacted on 15 September 2016.

10. RESULT OF THE COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented as part of these accounts, the loss attributable to the Company is disclosed in the footnote to the Company's balance sheet.

11. INTANGIBLE ASSETS

Development costs

	2016	2015
COST	£	£
At 1 January	723,702	396,754
Additions	-	326,948
Reclassification of previously capitalised development costs	(723,702)	-
At 31 December	-	723,702

The cost of internally generated assets which were capitalised as intangible assets in prior years were reclassified due to the fact that the development tool was ready to generate economic benefit as at 31 December2016.

12. PROPERTY, PLANT AND EQUIPMENT

Group Cost	Improvements to property £	Plant and machinery £	Fixtures and fittings £	Totals £
At 1 January 2016	46,053	14,209,219	108,660	14,363,932
Transfers from intangible assets	-	450,000	-	450,000
Disposals	-	(374,106)	-	(374,106)
At 31 December 2016	46,053	14,285,113	108,660	14,439,826
ACCUMULATED DEPRECIATION				
At 1 January 2016	-	12,878,411	62,593	12,941,004
Charge for year	-	679,162	-	679,162
Eliminated on disposal	-	(364,128)	-	(364,128)
At 31 December 2016	-	13,193,445	62,593	13,256,038
NET BOOK VALUE				
At 31 December 2016	46,053	1,091,668	46,067	1,183,788

	Improvements to property	Plant and machinery	Vehicles	Fixtures and fittings	Totals
COST	£	£	£	£	£
At 1 January 2015	46,053	14,242,169	27,180	246,036	14,561,438
Additions	-	29,305	-	-	29,305
Disposals	-	(62,255)	(27,180)	(137,376)	(226,811)
At 31 December 2015	46,053	14,209,219	-	108,660	14,363,932
ACCUMULATED DEPRECIATION					
At 1 January 2015	-	11,827,157	15,309	186,585	12,029,051
Charge for year	-	1,097,663	5,670	13,384	1,116,717
Eliminated on disposal	-	(46,409)	(20,979)	(137,376)	(204,764)
At 31 December 2015	-	12,878,411	-	62,593	12,941,004
NET BOOK VALUE					
At 31 December 2015	46,053	1,330,808	-	46,067	1,422,928

13. INVESTMENTS

	Shares in Group undertakings £
COST	
At 1 January 2016	
and 31 December 2016	60,041
NET BOOK VALUE	
At 31 December 2016	60,041
At 31 December 2015	60,041

Shares in subsidiary undertakings

Name	Country of registration and operation	Activity	Proportion of ordinary shares held
Target Well Control Ltd	United Kingdom	Well placement services	100%
Target Well Control (Uganda) Limited	Uganda	Well placement services	100%

The registered address of Target Well Control Ltd is 34 Albyn Place, Aberdeen, United Kingdom.

The registered address of Target Well Control Ltd (Uganda) Limited is PO Box 10324, M189 Kabalega Close, Nakawa Division, Kampala, Uganda.

14. INVENTORIES

	Group 2016 £	Group 2015 £
Finished goods	566,525	529,092

The cost of inventories expensed during the year in respect of continuing operations was £182,875 (2015: £462,994).

The cost of inventories recognised as an expense includes £nil (2015: £39,385) in respect of allowance for slow-moving inventory.

15. TRADE AND OTHER RECEIVABLES

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Current:				
Trade debtors	2,444,691	3,658,026	-	-
Amounts owed by Group undertakings	158,030	-	-	4,822,791
Other debtors	4,782	6,853	-	-
Prepayments and accrued income	523,819	300,083	-	-
	3,131,322	3,964,962	-	4,822,791

15. TRADE AND OTHER RECEIVABLES - (continued)

Amounts receivable for the sale of goods are shown net of the following bad debt allowance:

	2016	2015
	£	£
1 January	360,937	360,937
Additions	143,196	-
31 December	504,133	360,937

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Bank overdrafts	2,229,303	1,658,062	-	-
Trade creditors	1,169,413	350,602	-	-
Amounts owed to Group undertakings	1,017,176	754,056	-	-
Social security and other taxes	436,068	311,178	-	-
Accruals and deferred income	633,705	1,388,178	68,000	75,000
	5,485,665	4,462,076	68,000	75,000

The bank overdraft is secured by a floating charge over the assets of the Company and Target Well Control Limited.

17. NON - EQUITY SHARES

Called up, allotted and fully paid

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2016	2015
			£	£
190,000	Ordinary shares	£1 each	190,000	190,000
860,000	A Ordinary shares	£0.10 each	86,000	86,000
			276,000	276,000
Share premium			279,599	279,599
			555,599	555,599

Dividends

The profits available for distribution shall be applied as follows:

Firstly, in distributing to the holders of 'A' ordinary shares a participating dividend calculated on the basis set out in the Articles of Association.

Secondly, a compensatory dividend to the ordinary shareholders, calculated on the basis set out in the Articles of Association.

Capital

On winding up, the shares rank as follows; first in paying the holders of the 'A' ordinary shares 10p per share, together with any arrears of dividends, second in paying the holders of ordinary shares £1 per share together with any arrears of dividends. Any balance remaining shall be distributed among the holders of the 'A' ordinary shares and ordinary shares pari passu as if one class of share.

Voting

The holders of the 'A' ordinary shares and ordinary shares are entitled to one vote per share.

18. FINANCIAL LIABILITIES - BORROWINGS

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Current:				
Bank overdrafts (note 16)	2,229,303	1,658,062	-	-
Share premium (note 17)	279,599	279,599	279,599	279,599
Preference shares	276,000	276,000	276,000	276,000
	2,784,902	2,213,661	555,599	555,599

19. FINANCIAL LIABILITIES - BORROWINGS

The Group as lessee

	2016	2015
	£	£
Lease payments under operating leases recognised as an expense in the year	191,196	268,364

Minimum lease payments fall due as follows:

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of 8 years and rentals are fixed for an average of 3 years with an option to extend for a further 3 years at the prevailing market rate.

Company

	Non-cancellable operating leases	
	2016	2015
	£	£
Within one year	143,648	176,524
In the second to fifth years inclusive	269,132	370,557
After five years	7,194	20,838
	419,974	567,919

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2016	2015
			£	£
4,790,484	B Ordinary Shares	£0.001 each	4,790	4,790

'B' ordinary shares do not carry any rights to voting or participate in any payment of dividends.

21. CONTINGENT LIABILITIES

The Group is party to an arrangement with the Group's bankers whereby cross-guarantees have been provided between Target Energy Group Limited and its subsidiary, Target Well Control Limited. Under this arrangement, Target Well Control Limited has been provided a guarantee by Al Mansoori Specialized Engineering LLC to secure all liabilities, up to £3,600,000. The Company has a contingent liability under this arrangement of £2,229,303 (2015: £1,658,062).

During 2016 the Group provided unsecured guarantee to third party of $ 20,000 (equivalent of £16,254). (2015: $360,000 (equivalent to £292,574)).

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2016	2015
	£	£
Loss for the financial year	(2,978,810)	(2,786,106)
Opening shareholders' funds	1,825,945	4,612,051
Closing shareholders' funds	(1,152,865)	1,825,945

23. RESERVES

Group	Translation reserve	Share premium account	Accumulated Losses
	£	£	£
At 1 January 2016	1,527,959	5,005,536	(4,712,340)
Loss for the year	-	-	(2,978,810)
At 31 December 2016	1,527,959	5,005,536	(7,691,150)

Group	Translation reserve	Share premium account	Accumulated Losses
	£	£	£
At 1 January 2015	1,527,959	5,005,536	(1,926,234)
Loss for the year	-	-	(2,786,106)
At 31 December 2015	1,527,959	5,005,536	(4,712,340)

Company	Translation reserve	Share premium account	Accumulated Losses
	£	£	£
At 1 January 2016	1,527,959	5,005,536	(2,286,052)
Loss for the year	-	-	(4,815,791)
At 31 December 2016	1,527,959	5,005,536	(7,101,843)

23. **RESERVES - (continued)**

Company	Translation reserve £	Share premium account £	Accumulated Losses £
At 1 January 2015	1,527,959	5,005,536	(2,384,510)
Profit for the year	-	-	98,458
At 31 December 2015	1,527,959	5,005,536	(2,286,052)

24. **RETIREMENT BENEFITS**

The Group makes contributions to personal defined contribution pension plans for eligible employees. The assets of the scheme are held separately from those of the Group. The pension cost charge represents contributions payable by the Group to these plans and amounted to £68,041 (2015: £103,753).
No contributions were outstanding at 31 December 2016 (2015: £nil).

25. **FINANCIAL INSTRUMENTS**

The Group's activities expose it to a number of financial risks including cash flow risk, credit risk and liquidity risk.

Capital structure
The objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure the Group may, amongst other things, adjust the amount of dividends paid to the shareholder, issue new shares, repurchase existing shares, or sell assets to reduce debt.

Capital for the Group is total shareholder's equity and is detailed in the Group's Statement of Changes in Equity. There was no change in the Group's strategy over risk management since prior period.

At 31 December 2016 and 2015 the financial instruments of the Group was as follows:

Assets:	2016 £	2015 £
Cash and bank balances	6,764	202,936
Trade receivables	2,444,691	3,658,026
Total	2,451,455	3,860,962
Liabilities:		
Bank overdrafts	2,229,303	1,658,062
Amounts owed to Group undertakings	1,017,176	754,056
Trade creditors	1,169,413	350,602
Other: non-equity shares	555,599	555,599
Total	4,971,491	3,318,319

The carrying amount of financial instruments, loans and receivables, is a reasonable approximation of their fair values.

25. **FINANCIAL INSTRUMENTS - (continued)**

Cash flow risk

The international activities expose the Group to risks of changes in foreign currency rates. The Group seeks to mitigate this by seeking natural hedges between income and expenditure and monitoring ongoing exposure.

At 31 December the carrying value of financial assets nominated in foreign currencies is as follows:

	2016	2015
	£	£
USD	1,953,756	2,690,454
EUR	649,591	634,368
UGX	3,915	-
Total financial assets	2,607,262	3,342,822

	2016	2015
	£	£
USD	2,105,781	826,854
EUR	15,941	40,952
UGX	346	17,895
Total financial liabilities	2,122,068	885,701

If there were a 10 per cent increase (or decrease) in Sterling against other foreign currencies, there would be a charge (or credit) of £48,519 (2015: £243,912) to the profit and loss. 10 per cent represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10 per cent change in foreign currency rates. There was no change in the methods and assumptions used in preparing sensitivity analysis since prior period.

Credit risk

The principal financial assets are bank balances and trade debtors. The credit risk on liquid funds is limited as the counterparties are banks with assigned credit ratings from international agencies. The Group's credit risk is primarily attributable to its trade debtors. These are held in the balance sheet net of allowances for doubtful debtors. The Group has a significant concentration of debtors in a small number of customers, and monitors payment profiles on an ongoing basis.

The table below shows the concentration of trade receivables counterparty risk at the balance sheet date by ranking customers by size of receivable balance at the balance sheet date.

	2016	2015
	£	£
Total receivables from customers ranked 1-3	72,870	2,708,688
Total receivables from customers ranked 4-6	1,443,674	399,666
Total receivables from other customers	928,147	549,672
Total	2,444,691	3,658,026

Ageing of trade receivables is as follows:

	2016	2015
	£	£
Current	38,250	556,150
30-59 days	256	679,123
60-89 days	342,043	59,511
90 + days	2,064,142	2,363,242
	2,444,691	3,658,026

25. **FINANCIAL INSTRUMENTS - (continued)**

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments the Group uses a mixture of parent company funding and bank overdraft facilities.

At 31 December 2016 the Group's financial liabilities of £5,214,484 (2015: £3,318,319) were due to be settled on a net basis within less than one year of the balance sheet date. The amounts disclosed are the contractual undiscounted cash flows.

26. **RELATED PARTY TRANSACTIONS**

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below.

Trading transactions

During the year, Group companies entered into the following transactions with related parties who are not members of the Group:

	Sale of goods		Purchase of goods	
	2016	2015	2016	2015
	£	£	£	£
Al Mansoori Directional Drilling Services LLC	-	-	153,706	-
Al Mansoori Petroleum Services LLC	-	-	351,827	143,846
Al Mansoori Specialized Engineering LLC	-	-	-	7,802
	-	-	505,533	151,648

The following amounts were outstanding at the statement of financial position date:

	Amounts due from related parties		Amounts due to related parties	
	2016	2015	2016	2015
	£	£	£	£
Al Mansoori Directional Drilling Services LLC	158,030	-	-	-
Al Mansoori Petroleum Services LLC	-	-	1,017,176	747,446
Al Mansoori Specialized Engineering LLC	-	-	-	6,610
	158,030	-	1,017,176	754,056

In 2015 Al Mansoori Petroleum Services, a related party, returned advances to the Group in an amount of $1,000,000 (equivalent of £674,495) that was received from the Group in 2014. The loan was repayable in full on demand.

Remuneration of key management personnel

The remuneration of key management personnel during the year as follows:

	2016	2015
	£	£
Short-term benefits	191,997	141,450
Pension costs	11,948	16,404
	203,945	157,854

The directors did not receive any emoluments for their services directly from the Company (note 6).

27. RECONCILIATION OF LOSS BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	2016 £	2015 £
Loss for the year	(2,978,810)	(2,786,106)
Depreciation charges	679,162	1,116,717
Reversal of provision for slow moving inventory	(16,268)	(20,615)
Income tax expense	382,977	329,280
Loss arising on lost in hole assets sold	9,965	7,802
Finance costs (net)	45,354	55,979
Withholding and VAT tax receivables	-	267,294
Finance income	-	(2,266)
Provision for bad debts	143,196	-
Expense recognised in respect of classification of intangible assets	27,908	-
	(1,706,516)	(1,031,915)
Decrease in inventories	30,190	92,490
Decrease/(increase) in trade and other receivables	501,919	(1,960,079)
(Decrease)/increase in trade and other payables	(600,592)	843,838
Cash used in operations	(1,774,999)	(2,055,666)

28. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2016

	2016 £	2015 £
Cash and cash equivalents	6,764	202,936
Bank overdrafts	(2,229,303)	(1,658,062)
	(2,222,539)	(1,455,126)

29. ULTIMATE PARENT COMPANY

The ultimate parent company is Al Mansoori Specialized Engineering LLC, a company registered in United Arab Emirates. This company is controlled by the three directors. This company heads the largest and smallest group that prepares consolidated financial statements, including Target Energy Group Limited. Copies of the consolidated financial statements of the ultimate parent company may be requested from the registered office of Target Energy Group Limited at 34 Albyn Place, Aberdeen, United Kingdom.

The immediate parent company and the company which heads the smallest group of undertakings for which financial statements are drawn up is Al Mansoori Directional Drilling Services LLC, a company incorporated in United Arab Emirates. Copies of these financial statements may be obtained from the registered office of Target Energy Group Limited at 34 Albyn Place, Aberdeen, United Kingdom.