Registered No 02458616

REGISTRAR

Techman Engineering Limited

Report and Financial Statements

31 December 2010



Directors
G Grohmann
F Gritsch
S Oxspring
A H Domjahn

Secretary
K Wragg

Auditors
Ernst & Young LLP
Lowgate House
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Hull
HU1 1JJ

Bankers
Royal Bank of Scotland
3rd Floor
2 Whitehill Quay
Leeds
LS1 4HR

Solicitors
Pinsent Masons LLP
1 Park Row
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LS1 5AB

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Techman House
Broombank Park
Chesterfield Trading Estate
Chesterfield
S41 9RT

Directors' report

The directors present their report and financial statements for the year ended 31 December 2010

Results and dividends

The loss for the year, after taxation, amounted to £556,325 (2009 – loss of £93,379) The directors do not recommend the payment of any dividends (2009 – £nil)

Principal activities and review of the business

The principal activity of the company during the year was precision and general engineering

The company was part of the Schoeller-Bleckmann Oilfield Equipment Group throughout the year

The key financial performance indicators are those that communicate the financial performance of the company as a whole, these being turnover and profit for the year after taxation

The company has been affected by the global downturn in the oil exploration market Turnover fell from £7,978,792 to £7,272,003 resulting in a loss for the year, after taxation, of £556,325 (2009 – loss of £93,379)

Principal risks and uncertainties

The company's principal financial instruments comprise bank balances, bank overdrafts, trade creditors, trade debtors, loans to the company, and hire purchase agreements The main purpose of these instruments is to raise funds to finance the company's operations

Due to the nature of the financial instruments used by the company there is no exposure to price risk The company's approach to managing other risks applicable to the financial instruments concerned is shown below

In respect of bank balances the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdrafts at floating rates of interest The company makes use of money market facilities where funds are available

In respect of loans and hire purchase contracts these comprise loans from financial institutions The interest rate on the loans from financial institutions is variable but the monthly repayments are fixed The company manages the liquidity risk by ensuring there are sufficient funds to meet the repayments

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due

Going concern

The directors believe that the company will be able to generate positive cash flows for the foreseeable future As a result the going concern basis of accounting has been adopted Overall liquidity is supported by the group through the immediate holding company The group has confirmed it will provide amounts to the company to meet its liabilities as they fall due if the company is unable to do so from its own cash and debt reserves

Directors

The directors who served the company during the year were as follows

G Grohmann
F Gritsch
S Oxspring
A H Domjahn (appointed 5 October 2010)

Directors' report

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, the directors have taken all the steps that they are obliged to take as directors in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

In accordance with section 485 of the Companies Act 2006, a resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting

By order of the Board

K Wragg
Secretary

15 March 2011

Statement of directors' responsibilities

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) 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 of the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Independent auditors' report

to the members of Techman Engineering Limited
(Registered No. 02458616)

We have audited the financial statements of Techman Engineering Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 22 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 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

Opinion on the financial statements

In our opinion the financial statements

- Give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its loss for the year then ended,
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- Have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditors' report

to the members of Techman Engineering Limited
(Registered No. 02458616)

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, or returns adequate for our audit have not been received from branches not visited by us, or
- The 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

Ernst & Young LLP

R J Frostick (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Hull

18 March 2011

Profit and loss account

for the year ended 31 December 2010

	Notes	2010 £	2009 £
Turnover	2	7,272,003	7,978,792
Cost of sales		(5,382,566)	(5,593,652)
Gross profit		1,889,437	2,385,140
Administrative expenses		(2,516,614)	(2,529,625)
Other operating income	3	72,458	361,772
Operating (loss) / profit	4	(554,719)	217,287
Interest receivable		567	726
Interest payable and similar charges	7	(273,833)	(269,071)
Loss on ordinary activities before taxation		(827,985)	(51,058)
Tax	8	271,660	(42,321)
Loss for the financial year	18	(556,325)	(93,379)

The results for the year derive entirely from the continuing operations of the company

Statement of total recognised gains and losses

for the year ended 31 December 2010

There are no recognised gains or losses other than the loss of £556,325 attributable to the shareholders for the year ended 31 December 2010 (2009 – loss of £93,379)

Balance sheet

at 31 December 2010

	Notes	2010 £	2009 £
Fixed assets			
Tangible assets	9	6,482,843	6,409,910
Current assets			
Stocks	10	1,813,403	1,889,452
Debtors	11	1,829,069	1,985,631
Cash at bank and in hand		622,025	686,209
		4,264,497	4,561,292
Creditors amounts falling due within one year	12	(4,302,436)	(2,274,702)
Net current (liabilities) / assets		(37,939)	2,286,590
Total assets less current liabilities		6,444,904	8,696,500
Creditors: amounts falling due after more than one year	13	(3,228,371)	(4,759,831)
		3,216,533	3,936,669
Provisions for liabilities and charges			
Deferred taxation	8(c)	(370,152)	(533,963)
Net assets		2,846,381	3,402,706
Capital and reserves			
Called up share capital	16	100	100
Other reserves	17	40	40
Profit and loss account	18	2,846,241	3,402,566
	19	2,846,381	3,402,706

Approved by the Board

S Oxspring
Director

15 March 2011

Notes to the financial statements

at 31 December 2010

1. Accounting policies

Fundamental accounting concept – Going concern

The directors believe that the company will be able to generate positive cash flows for the foreseeable future As a result the going concern basis of accounting has been adopted Overall liquidity is supported by the group through the immediate holding company The group has confirmed it will provide amounts to the company to meet its liabilities as they fall due if the company is unable to do so from its own cash and debt reserves

Basis of preparation

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards

Statement of cash flows

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a statement of cash flows in the financial statements on the grounds that the company is wholly owned and its parent publishes a group statement of cash flows

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of value added tax

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows

Freehold property	–	2% straight line
Plant and machinery	–	10 to 20% straight line
Fixtures and fittings	–	25% straight line
Motor vehicles	–	25% straight line

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Stocks

Stocks are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items

Work in progress

Work in progress is stated on the basis of direct costs plus attributable overheads based on normal level of activity Provision is made for any foreseeable losses where appropriate No element of profit is included in the valuation of work in progress.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions

Notes to the financial statements

at 31 December 2010

1. Accounting policies (continued)

Deferred taxation (continued)

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date

All differences are taken to the profit and loss account

Leasing and hire purchase commitments

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account at a constant rate of charge on the balance of capital repayments outstanding

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Pension costs

The company operates a defined contribution pension scheme for employees The assets of the scheme are held separately from those of the company The annual contributions payable are charged to the profit and loss account

Research and development

Research and development expenditure is written off in the year in which it is incurred

Notes to the financial statements

at 31 December 2010

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company

An analysis of turnover by geographical market is given below

	2010 £	*2009* £
United Kingdom	3,457,417	2,746,747
Europe	1,192,085	3,400,335
America	2,622,501	1,831,710
	7,272,003	7,978,792

3. Other operating income

	2010 £	*2009* £
Rents received	78,140	79,078
Exchange differences	(7,215)	282,694
Profit on sale of fixed assets	1,533	–
	72,458	361,772

4. Operating loss

This is stated after charging

	2010 £	*2009* £
Auditors' remuneration	25,656	34,208
Operating lease rentals – land and buildings	–	–
– plant and equipment	52,798	47,710
Depreciation of owned fixed assets	457,839	325,888
Depreciation of assets held under hire purchase contracts	250,477	275,117
	708,316	601,005

Notes to the financial statements

at 31 December 2010

5. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were

	2010 £	*2009* £
Emoluments	95,831	–
Value of company pension contributions to money purchase schemes	3,065	–

	2010 No	*2009* No
Members of money purchase pension schemes	1	–

6. Staff costs

	2010 £	*2009* £
Wages and salaries	1,895,241	2,143,227
Social security costs	186,743	174,624
Other pension costs	5,841	2,398
	2,087,825	2,320,249

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

	2010 No	*2009* No
Production staff	50	55
Administrative staff	12	16
	62	71

7. Interest payable and similar charges

	2010 £	*2009* £
Interest payable on bank borrowing	194,057	154,233
Hire purchase charges	44,222	68,057
Interest on loan from immediate holding company	35,294	43,025
Other interest	260	3,756
	273,833	269,071

Notes to the financial statements

at 31 December 2010

8. Tax

(a) Tax on loss on ordinary activities

The tax charge is made up as follows

	2010 £	*2009* £
Current tax		
UK corporation tax on the loss for the year	–	–
Group relief (recoverable)	–	(28,148)
Under/(over)provision in prior years	(107,849)	(8,253)
Total current tax (note 8(b))	(107,849)	(36,401)
Deferred tax		
Origination and reversal of timing differences	(190,487)	70,318
Adjustment in respect of previous years	26,676	8,404
Total deferred tax (note 8(c))	(163,811)	78,722
Tax on loss on ordinary activities	(271,660)	42,321

(b) Factors affecting current tax charge for the year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 28% (2009 – 28%) The differences are explained below

	2010 £	*2009* £
Loss on ordinary activities before taxation	(827,985)	(51,058)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 – 28%)	(231,836)	(14,296)
Effects of		
Expenses not deductible for tax purposes	55,058	56,466
Capital allowances for the year in excess of depreciation	(29,519)	(50,718)
Other timing differences	-	(19,600)
Adjustments to tax charge in respect of previous years	(107,849)	(8,253)
Unrelieved tax losses carried forward	206,297	-
Total current tax (note 8(a))	(107,849)	(36,401)

Notes to the financial statements

at 31 December 2010

8. Tax (continued)

(c) Deferred taxation

The movement in the deferred taxation provision during the year was

	2010 £	*2009* £
At 1 January 2010	533,963	455,241
Profit and loss account movement arising during the year (note 8(a))	(190,487)	70,318
Adjustment in respect of previous years (note 8(a))	26,676	8,404
At 31 December 2010	370,152	533,963

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2010 £	*2009* £
Accelerated capital allowances	569,081	533,963
Other timing differences	(198,929)	–
	370,152	533,963

9. Tangible fixed assets

	Freehold property £	*Plant and machinery* £	*Fixtures and fittings* £	*Motor vehicles* £	*Total* £
Cost					
At 1 January 2010	3,266,579	4,242,900	68,170	35,019	7,612,668
Additions	8,884	781,477	16,192	–	806,553
Disposals	–	(37,400)	–	(14,371)	(51,771)
At 31 December 2010	3,275,463	4,986,977	84,362	20,648	8,367,450
Depreciation					
At 1 January 2010	167,557	973,907	29,399	31,895	1,202,758
Provided during the year	113,030	573,625	18,537	3,124	708,316
Disposals	–	(12,096)	–	(14,371)	(26,467)
At 31 December 2010	280,587	1,535,436	47,936	20,648	1,884,607
Net book value					
At 31 December 2010	2,994,876	3,451,541	36,426	–	6,482,843
At 1 January 2010	3,099,022	3,268,993	38,771	3,124	6,409,910

Notes to the financial statements

at 31 December 2010

9. Tangible fixed assets (continued)

Included in the net book amount for freehold property is an estimated £506,000 relating to land that is not being depreciated

Included within the net book value of £6,482,843 is £1,268,197 (2009 – £1,584,713) in respect of assets held under hire purchase agreements Depreciation for the year on these assets was £250,477 (2009 – £275,117)

Capital commitments contracted but not provided for during the year is £39,000 (2009 – £234,000)

10. Stocks

	2010 £	*2009* £
Raw materials	791,655	857,860
Work in progress	908,442	865,464
Finished goods	113,306	166,128
	1,813,403	1,889,452

There is no material difference between the replacement cost of stocks and their balance sheet amounts

11. Debtors

	2010 £	*2009* £
Trade debtors	1,523,271	1,604,954
Amounts owed by group undertakings	95,824	170,462
Other debtors	11,725	19,250
Prepayments and accrued income	117,906	170,724
Corporation tax	80,343	20,241
	1,829,069	1,985,631

12. Creditors: amounts falling due within one year

	2010 £	*2009* £
Bank loans and overdrafts (note 14)	1,989,414	286,186
Trade creditors	980,979	1,303,583
Amounts owed to group undertakings	786,565	100,616
Other taxation and social security	93,587	126,355
Obligations under hire purchase agreements (note 15)	361,142	351,870
Accruals and deferred income	90,749	106,092
	4,302,436	2,274,702

Notes to the financial statements

at 31 December 2010

13. Creditors: amounts falling due after more than one year

	2010 £	2009 £
Bank loans (note 14)	–	1,942,381
Hire purchase agreements (note 15)	528,371	917,450
Amount payable to immediate holding company (note 14)	2,700,000	1,900,000
	3,228,371	4,759,831

14. Loans

	2010 £	2009 £
Loans are repayable as follows		
On demand or within one year	1,989,414	286,186
Between two and five years	2,700,000	3,105,628
After five years	–	736,753
	4,689,414	4,128,567

Bank loans include a bank loan of £1,989,414 which was repayable by equal monthly instalments of £22,600, at an interest rate of 1 25% above LIBOR The banking covenants applied to this loan have not been adhered to at the balance sheet date and the loan therefore becomes repayable on demand The company is in discussions with its bank to reset the covenants and the bank has not asked for repayment of this loan whilst these negotiations are being completed

The bank loan is secured by a standard bank debenture, a first legal charge over 27 Chester Street, Chesterfield and a legal charge over the company's factory and assets at Broombank Park, Chesterfield

The £2,700,000 (2009 – £1,900,000) loan from the immediate holding company is unsecured, has no fixed repayments and is repayable by 31 December 2012 Interest is charged at commercial rates determined by the immediate holding company

15. Obligations under hire purchase agreements

Future obligations under hire purchase agreements are as follows

	2010 £	2009 £
Amounts payable		
Within one year	361,142	351,870
Between two and five years	528,371	906,757
After more than five years	–	10,693
	889,513	1,269,320

Amounts due under hire purchase agreements totalling £889,513 (2009 – £1,269,320) are secured against the assets financed

Notes to the financial statements

at 31 December 2010

16. Share capital

Allotted, called up and fully paid	*No*	*2010* £	*No*	*2009* £
Ordinary shares of £1 each	100	100	100	100

17. Other reserves

	2010 £	*2009* £
Capital redemption reserve	40	40

18. Profit and loss account

	2010 £	*2009* £
Balance brought forward	3,402,566	3,495,945
Loss for the financial year	(556,325)	(93,379)
Balance carried forward	2,846,241	3,402,566

19. Reconciliation of shareholders' funds and movement on reserves

	Share capital £	*Capital redemption reserve* £	*Profit and loss account* £	*Total shareholders' funds* £
At 1 January 2009	100	40	3,495,945	3,496,085
Loss for the financial year	–	–	(93,379)	(93,379)
At 1 January 2010	100	40	3,402,566	3,402,706
Loss for the financial year	–	–	(556,325)	(556,325)
At 31 December 2010	100	40	2,846,241	2,846,381

Notes to the financial statements

at 31 December 2010

20. Other financial commitments

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2010 £	*Other 2010* £	*Land and buildings 2009* £	*Other 2009* £
Operating leases which expire				
Within one year	–	43,942	–	13,670
Within two to five years	–	94,254	–	37,725
	–	138,196	–	51,395

21. Related party transactions

During the course of the year the company entered into transactions in the ordinary course of business, with other related parties Transactions entered into, and trading balances outstanding at 31 December 2010 are as follows

	Sales to related parties £	*Purchases from related parties* £	*Amounts owed from related parties* £	*Amounts owed to related parties* £
Related party				
Darron Tool & Engineering (Sheffield) Limited	5,625	75,215	793	11,868
Schoeller Bleckmann Darron Limited	49,950	14,403	41,768	23,006

The company has taken advantage of the exemption in FRS 8 from disclosing transactions with other wholly owned group entities that are part of the Schoeller Bleckmann Oilfield Equipment AG group

22. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Schoeller Bleckmann Oilfield Equipment (UK) Limited, a Company incorporated in the United Kingdom

The ultimate parent undertaking and controlling party is Schoeller Bleckmann Oilfield Equipment AG, registered in Austria Copies of its group financial statements, which include the company, are available from Hauptstrasse 2, Ternitz, A 2630, Austria