Registered No 02458616

REGISTRAR

Techman Engineering Limited

Report and Financial Statements

31 December 2011

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COMPANIES HOUSE

Directors

G Grohmann
F Gritsch
S Oxspring
A H Domjahn

Auditors

Ernst & Young LLP
Lowgate House
Lowgate
Hull
HU1 1JJ

Bankers

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

Solicitors

Pinsent Masons LLP
1 Park Row
Leeds
LS1 5AB

Registered Office

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 2011

Results and dividends

The loss for the year after taxation amounted to £121,540 (2010 – loss of £556,325) The directors do not recommend a final dividend (2010 – £Nil)

Principal activity 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 benefited from the global upturn in the oil exploration market Turnover increased from £7,272,003 to £10,598,394 which has resulted in a smaller loss for the year, after taxation, of £121,540 (2010 – loss of £556,325) The company expects to return to profit in 2012

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' report

Directors

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

G Grohmann
F Gritsch
S Oxspring
A H Domjahn

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

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

Simon Oxspring
Director

10 February 2012

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 judgments 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, and
- 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

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 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 20 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 auditor

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 In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

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 2011 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

Richard Frostick (Senior statutory auditor)
for and on behalf of Ernst & Young LLP (Statutory Auditor)
Hull
13 February 2012

Profit and loss account

for the year ended 31 December 2011

	Notes	2011 £	2010 £
Turnover	2	10,598,394	7,272,003
Cost of sales		(7,660,577)	(5,382,566)
Gross profit		2,937,817	1,889,437
Administrative expenses		(2,925,559)	(2,516,614)
Other operating income	3	67,673	72,458
Operating profit / (loss)	4	79,931	(554,719)
Interest receivable and similar income		1,204	567
Interest payable and similar charges	7	(214,125)	(273,833)
Loss on ordinary activities before taxation		(132,990)	(827,985)
Tax	8	11,450	271,660
Loss for the financial year	17	(121,540)	(556,325)

All amounts relate to continuing activities

Statement of total recognised gains and losses

for the year ended 31 December 2011

There are no recognised gains or losses other than the loss attributable to the shareholders of the company of £121,540 in the year ended 31 December 2011 (2010 – loss of £556,325)

Balance sheet

at 31 December 2011

	Notes	2011 £	2010 £
Fixed assets			
Tangible assets	9	6,061,661	6,482,843
Current assets			
Stocks	10	1,678,839	1,813,403
Debtors	11	2,675,133	1,829,069
Cash at bank and in hand		757,046	622,025
		5,111,018	4,264,497
Creditors amounts falling due within one year	12	(2,476,652)	(4,302,436)
Net current assets		2,634,366	(37,939)
Total assets less current liabilities		8,696,027	6,444,904
Creditors amounts falling due after more than one year	13	(5,625,820)	(3,228,371)
		3,070,207	3,216,533
Provisions for liabilities			
Deferred taxation	8(c)	(345,366)	(370,152)
Net assets		2,724,841	2,846,381
Capital and reserves			
Called up share capital	16	100	100
Other reserves	17	40	40
Profit and loss account	17	2,724,701	2,846,241
Shareholders' funds	17	2,724,841	2,846,381

Approved by the Board

S Oxspring
Director

10 February 2012

Notes to the financial statements

at 31 December 2011

1. Accounting policies

Basis of preparation

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

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

Statement of cash flows

The directors have taken advantage of the exemption in FRS 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

Notes to the financial statements

at 31 December 2011

1. Accounting policies (continued)

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

- 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

Pensions

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 2011

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

	2011	*2010*
	£	£
United Kingdom	5,345,058	3,457,417
Europe	2,408,875	1,192,085
America	2,844,461	2,622,501
	10,598,394	7,272,003

3. Other operating income

	2011	*2010*
	£	£
Rents received	78,185	78,140
Exchange differences	(10,512)	(7,215)
Profit on sale of fixed assets	–	1,533
	67,673	72,458

4. Operating profit / (loss)

This is stated after charging

		2011	*2010*
		£	£
Auditors' remuneration	– audit services	26,800	26,000
	– non-audit services	8,000	7,200
Depreciation of owned fixed assets		555,796	457,839
Depreciation of assets held under hire purchase contracts		249,962	250,477
		805,758	708,316
Operating lease rentals	– plant and equipment	45,386	52,798

Notes to the financial statements

at 31 December 2011

5. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were

	2011	*2010*
	£	£
Remuneration	102,152	95,831
Value of company pension contributions to money purchase schemes	5,517	3,065
	No	*No*
Members of money purchase pension schemes	1	1

The remuneration of G Grohmann, F Gritsch and A Domjahn during the period is both paid for and disclosed in the financial statements of Schoeller-Bleckmann Oilfield Equipment AG

6. Staff costs

	2011	*2010*
	£	£
Wages and salaries	2,328,091	1,895,241
Social security costs	236,137	186,743
Other pension costs	7,428	5,841
	2,571,656	2,087,825

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

	No	*No*
Administrative staff	19	12
Production staff	62	50
	81	62

7 Interest payable and similar charges

	2011	*2010*
	£	£
Interest payable on bank borrowing	165,918	194,057
Hire purchase charges	26,053	44,222
Interest on loan from immediate holding company	22,154	35,294
Other interest	–	260
	214,125	273,833

Notes to the financial statements

at 31 December 2011

8. Tax

(a) Tax on loss on ordinary activities

The tax charge is made up as follows

	2011 £	*2010* £
Current tax.		
UK corporation tax on the loss for the year	–	–
Group relief	21,012	–
Overprovision in prior years	(7,676)	(107,849)
Total current tax (note 8(b))	13,336	(107,849)
Deferred tax		
Origination and reversal of timing differences	(17,934)	(190,487)
Adjustment in respect of previous years	(6,852)	26,676
Total deferred tax (note 8(c))	(24,786)	(163,811)
Tax on loss on ordinary activities	(11,450)	(271,660)

(b) Factors affecting the current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 26 5% (2010 – 28%) The differences are explained below

	2011 £	*2010* £
Loss on ordinary activities before tax	(132,990)	(827,985)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26 5% (2010 – 28%)	(35,242)	(231,836)
Effects of		
Expenses not deductible for tax purposes	59,216	55,058
Capital allowances for the year in excess of depreciation	17,979	(29,519)
Adjustments to tax charge in respect of previous years	(7,676)	(107,849)
Unrelieved tax losses carried forward	(20,941)	206,297
Current tax for the year (note 8(a))	13,336	(107,849)

Notes to the financial statements

at 31 December 2011

8. Tax (continued)

(c) Deferred tax

The movement in the deferred taxation provision during the year was

	£
At 1 January 2011	370,152
Profit and loss account movement arising during the year (note 8(a))	(17,934)
Adjustment in respect of previous years (note 8(a))	(6,852)
At 31 December 2011	345,366

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

	2011	*2010*
	£	£
Accelerated capital allowances	508,499	569,081
Other timing differences	(163,133)	(198,929)
	345,366	370,152

(d) Factors affecting future tax charges

On 22 June 2010, the UK government announced proposals to reduce the main rate of corporation tax from 28% to 24% over 4 years with effect from 1 April 2011 Following these announcements, the reduction of the rate to 25% from 1 April 2012 was enacted by the Finance Act 2011 which was given Royal Assent on 19 July 2011 Therefore, deferred tax has been provided for at 25%

In addition, changes to the capital allowances regime were proposed including a reduction in the rate of capital allowances on plant and machinery additions from 20% to 18% with effect from 1 April 2012

Notes to the financial statements

at 31 December 2011

9. Tangible fixed assets

	Freehold property £	*Plant and machinery* £	*Fixtures and fittings* £	*Motor vehicles* £	*Total* £
Cost					
At 1 January 2011	3,275,463	4,986,977	84,362	20,648	8,367,450
Additions	38,889	296,861	48,826	–	384,576
At 31 December 2011	3,314,352	5,283,838	133,188	20,648	8,752,026
Depreciation					
At 1 January 2011	280,587	1,535,437	47,935	20,648	1,884,607
Provided during the year	114,231	671,007	20,520	–	805,758
At 31 December 2011	394,818	2,206,444	68,455	20,648	2,690,365
Net book value					
At 31 December 2011	2,919,534	3,077,394	64,733	–	6,061,661
At 1 January 2011	2,994,876	3,451,541	36,426	–	6,482,843

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 £6,061,661 is £1,018,235 (2010 – £1,268,197) in respect of assets held under hire purchase agreements Depreciation for the year on these assets was £249,962 (2010 – £250,477)

Capital commitments contracted but not provided for during the year is £Nil (2010 – £39,000)

10. Stocks

	2011 £	*2010* £
Raw materials	248,678	791,655
Work in progress	1,352,116	908,442
Finished goods	78,045	113,306
	1,678,839	1,813,403

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

Notes to the financial statements

at 31 December 2011

11. Debtors

	2011	*2010*
	£	£
Trade debtors	2,527,654	1,523,271
Amounts owed by group undertakings	14,480	95,824
Other debtors	4,916	11,725
Prepayments and accrued income	128,083	117,906
Corporation tax	–	80,343
	2,675,133	1,829,069

12. Creditors: amounts falling due within one year

	2011	*2010*
	£	£
Bank loans and overdrafts (note 14)	271,200	1,989,414
Trade creditors	1,169,096	980,979
Amounts owed to group undertakings	432,746	786,565
Other taxation and social security	214,028	93,587
Obligations under hire purchase agreements (note 15)	301,462	361,142
Accruals and deferred income	88,120	90,749
	2,476,652	4,302,436

13 Creditors: amounts falling due after more than one year

	2011	*2010*
	£	£
Bank loans (note 14)	1,447,014	–
Hire purchase agreements (note 15)	228,806	528,371
Amount payable to immediate holding company (note 14)	3,950,000	2,700,000
	5,625,820	3,228,371

14. Loans

	2011	*2010*
	£	£
Loans are repayable as follows		
On demand or within one year	271,200	1,989,414
Between two and five years	5,034,800	2,700,000
After five years	362,214	–
	5,668,214	4,689,414

Bank loans include a bank loan of £1,718,214 which was repayable by equal monthly instalments of £22,600, at an interest rate of 1 25% above LIBOR

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

Notes to the financial statements

at 31 December 2011

14. Loans (continued)

The £3,950,000 (2010 – £2,700,000) loan from the immediate holding company is unsecured, has no fixed repayments and is repayable by 31 December 2013 Interest is charged at commercial rates determined by the immediate holding company

15. Obligations under finance leases and hire purchase contracts

Future obligations under hire purchase agreements are as follows

	2011	*2010*
	£	£
Amounts payable		
Within one year	301,462	361,142
Between two and five years	228,806	528,371
	530,268	889,513

Amounts due under hire purchase agreements totalling £530,268 (2010 – £889,513) are secured against the assets financed

16. Issued share capital

		2011		*2010*
Allotted, called up and fully paid	*No*	£	*No*	£
Ordinary shares of £1 each	100	100	100	100

17. Reconciliation of shareholders' funds and movements on reserves

	Share capital	*Other reserve*	*Profit and loss account*	*Total share-holders' funds*
	£	£	£	£
At 1 January 2010	100	40	3,402,566	3,402,706
Loss for the year	–	–	(556,325)	(556,325)
At 1 January 2011	100	40	2,846,241	2,846,381
Loss for the year	–	–	(121,540)	(121,540)
At 31 December 2011	100	40	2,724,701	2,724,841

Other reserves represent a capital redemption reserve

Notes to the financial statements

at 31 December 2011

18 Other financial commitments

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as set out below

	2011		*2010*	
	Land and buildings £	*Other* £	*Land and buildings* £	*Other* £
Operating leases which expire				
Within one year	–	41,358	–	43,942
In two to five years	–	53,937	–	94,254
	–	95,295	–	138,196

19. 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 2011 and 31 December 2010 are as follows

	Sales to related parties £	*Purchases from related parties* £	*Amounts owed from related parties* £	*Amounts owed to related parties* £
31 December 2011				
Darron Tool & Engineering (Sheffield) Limited	30,600	257,655	14,490	24,807
Schoeller Bleckmann Darron Limited	21,404	103,415	-	2,913
31 December 2010				
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

20. 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