INTERNATIONAL TUBULAR SERVICES LIMITED
COMPANY NUMBER SC111913

DIRECTORS' REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2002

SCT S8R6YHU6 0104
COMPANIES HOUSE 23/01/03

INTERNATIONAL TUBULAR SERVICES LIMITED

COMPANY INFORMATION

Directors	R. G. Kidd S.R. Fudge R. S. Coffey F.G. Clarkson (Appointed 1 February 2002)
Secretary	Paull & Williamsons
Company number	111913
Registered office	Investment House 6 Union Row Aberdeen AB10 1DQ
Business address	Greenbank Crescent East Tullos Aberdeen AB12 3BG
Auditors	Hall Morrice & Partners 7 Queens Terrace Aberdeen AB10 1XL
Bankers	Bank of Scotland 39 Albyn Place Aberdeen AB10 1YN
Solicitors	Paull & Williamsons Investment House 6 Union Row Aberdeen AB10 1DQ

INTERNATIONAL TUBULAR SERVICES LIMITED

CONTENTS

	Page
Directors' report	1
Auditors' report	2
Profit and loss account	3
Balance sheet	4
Cash flow statement	5
Notes to the cash flow statement	6
Notes to the financial statements	7 - 18

INTERNATIONAL TUBULAR SERVICES LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2002

The directors present their report and audited financial statements for the year ended 30 September 2002.

Principal activities and review of the business

The principal activity of the company continued to be that of the fabrication, inspection, supply and rental of equipment.

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

Results and dividends

The results for the year are set out on page 0. The directors do not recommend payment of a dividend.

Directors

The following directors have held office since 1 October 2001:

R. G. Kidd
S.R. Fudge
R. S. Coffey
R. Appleton (Resigned 1 October 2002)
F.G. Clarkson (Appointed 1 February 2002)

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary Shares of £ 1 each	
	30 September 2002	**1 October 2001**
R. G. Kidd	237,500	237,500
S.R. Fudge	-	-
R. S. Coffey	12,500	12,500
R. Appleton	-	-
F.G. Clarkson	-	-

Acquisitions

During the year, the company acquired a further 65.5% in International Tubulars Egypt, bringing its total holding to 66.2%.

Auditors

Hall Morrice & Partners were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

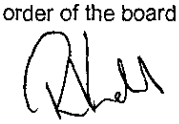
Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 those 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;
- 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

By order of the board



R. G. Kidd
Director
16 January 2003

INTERNATIONAL TUBULAR SERVICES LIMITED

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE COMPANY

We have audited the financial statements of International Tubular Services Limited for the year ended 30 September 2002 which comprise the Profit and loss account, the Balance sheet, the Cash flow statement and related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Directors report the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors remuneration and transactions with the company is not disclosed.

We read the Directors Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Hall Morrice & Partners

Hall Morrice & Partners
Registered Auditors
Aberdeen
16 January 2003

INTERNATIONAL TUBULAR SERVICES LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2002

	Notes	2002 £	2001 £
Turnover	2	**11,186,255**	9,309,371
Cost of sales		**(4,955,614)**	(3,454,208)
Gross profit		**6,230,641**	5,855,163
Distribution costs		**(361,911)**	(442,489)
Administrative expenses		**(4,495,510)**	(4,224,057)
Other operating income		**-**	17,126
Operating profit	3	**1,373,220**	1,205,743
Other interest receivable and similar income	4	**1,615**	2,301
Interest payable and similar charges	5	**(549,836)**	(728,775)
Profit on ordinary activities before taxation		**824,999**	479,269
Tax on profit on ordinary activities	6	**(267,079)**	(212,822)
Retained profit for the year	16	**557,920**	266,447

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

INTERNATIONAL TUBULAR SERVICES LIMITED

BALANCE SHEET
AS AT 30 SEPTEMBER 2002

	Notes	£	2002 £	£	2001 £
Fixed assets					
Tangible assets	7		**3,301,447**		3,022,305
Investments	8		**1,281,743**		522,312
			4,583,190		3,544,617
Current assets					
Stocks	9	**3,517,859**		3,093,794	
Debtors	10	**4,742,562**		5,573,013	
Cash at bank and in hand		**31,352**		-	
		8,291,773		8,666,807	
Creditors: amounts falling due within *one year*	11	**(4,617,801)**		(9,028,536)	
Net current assets/(liabilities)			**3,673,972**		(361,729)
Total assets less current liabilities			**8,257,162**		3,182,888
Creditors: amounts falling due after more than one year	12		**(5,756,570)**		(1,302,153)
Provisions for liabilities and charges	13		**(447,920)**		(385,983)
Net assets			**2,052,672**		1,494,752
Capital and reserves					
Called up share capital	15		**250,000**		250,000
Profit and loss account	16		**1,802,672**		1,244,752
Equity shareholders' funds	17		**2,052,672**		1,494,752

The financial statements were approved by the directors on 16 January 2003

R. G. Kidd
Director

F.G. Clarkson
Director

INTERNATIONAL TUBULAR SERVICES LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2002

		2002 £		As restated 2001 £
Net cash inflow from operating activities		**1,636,634**		3,034,328
Returns on investments and servicing of finance				
Interest received	**1,615**		2,301	
Interest paid	**(549,836)**		(728,775)	
Net cash outflow for returns on investments and servicing of finance		**(548,221)**		(726,474)
Taxation		**2,676**		(51,796)
Capital expenditure and financial investment				
Payments to acquire tangible assets	**(752,064)**		(460,970)	
Receipts from sales of tangible assets	**-**		42,020	
Increase in inter company loans	**(383,536)**		(1,098,657)	
Net cash outflow for capital expenditure and financial investment		**(1,135,600)**		(1,517,607)
Acquisitions and disposals				
Purchase of interest in a joint venture	**(47,677)**		(125,283)	
Purchase of other investments	**-**		(22,050)	
Net cash outflow for acquisitions and disposals		**(47,677)**		(147,333)
Net cash (outflow)/inflow before management of liquid resources and financing		**(92,188)**		591,118
Financing				
New long term bank loan	**5,750,000**		130,475	
Other new short term loans	**750,000**		-	
Repayment of long term bank loan	**(1,190,873)**		(179,704)	
Repayment of other short term loans	**(1,413,000)**		(49,000)	
Repayment of directors loan	**(300,000)**		-	
Capital element of hire purchase contracts	**(198,268)**		(340,642)	
Net cash inflow/(outflow) from financing		**3,397,859**		(438,871)
Increase in cash in the year		**3,305,671**		152,247

INTERNATIONAL TUBULAR SERVICES LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2002

1	**Reconciliation of operating profit to net cash inflow from operating activities**	**2002**	**As restated 2001**
		£	**£**
	Operating profit	**1,373,220**	1,205,743
	Depreciation of tangible assets	**472,922**	445,263
	Profit on disposal of tangible assets	**-**	(17,126)
	Increase in stocks	**(424,065)**	(234,700)
	Decrease/(increase) in debtors	**502,233**	(453,042)
	(Decrease)/Increase in creditors within one year	**(287,676)**	2,088,190
	Net cash inflow from operating activities	**1,636,634**	3,034,328

2	**Analysis of net debt**	**1 October 2001**	**Cash flow**	**Other non-cash changes**	**30 September 2002**
		£	**£**	**£**	**£**
	Net cash:				
	Cash at bank and in hand	-	31,352	-	31,352
	Bank overdrafts	(3,825,595)	3,274,319	-	(551,276)
		(3,825,595)	3,305,671	-	(519,924)
	Debt:				
	Finance leases	(309,936)	198,268	-	(111,668)
	Debts falling due within one year	(1,463,000)	963,000	-	(500,000)
	Debts falling due after one year	(1,190,873)	(4,559,127)	-	(5,750,000)
		(2,963,809)	(3,397,859)	-	(6,361,668)
	Net debt	(6,789,404)	(92,188)	-	(6,881,592)

3	**Reconciliation of net cash flow to movement in net debt**	**2002**	**2001**
		£	**£**
	Increase in cash in the year	**3,305,671**	152,247
	Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	**(3,397,859)**	438,871
	Change in net (debt)/funds resulting from cash flows	**(92,188)**	591,118
	New finance lease	**-**	(30,050)
	Movement in net (debt)/funds in the year	**(92,188)**	561,068
	Opening net debt	**(6,789,404)**	(7,350,472)
	Closing net debt	**(6,881,592)**	(6,789,404)

4 Major non-cash transactions

As detailed in Note 8 to the Accounts, the company acquired a further 65.5% in International Tubulars Eygpt. The consideration was effected by the conversion of debt to equity.

INTERNATIONAL TUBULAR SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2002

1 *Accounting policies*

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to *write off the cost less estimated residual value of each asset over its expected useful life, as follows:*

Leasehold Improvements	12.5% Straight Line
Fixtures and Fittings	15% Straight Line
Plant and Machinery	15% Straight Line
Rental Assets	10% Straight Line
Motor Vehicles	25% Straight Line

1.3 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account on a straight line basis.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.4 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.5 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value.

Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

1.6 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with FRS 17.

1.7 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the full provision method.

1.8 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.9 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertakings comprise a medium-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

2 Turnover

Turnover represents the invoiced value of sales of equipment, other services and rental of equipment.

	Turnover 2002 £
Class of business	
Sale of equipment	1,801,073
Rental of equipment	7,262,219
Inspection, machining and repairs etc.	2,122,963
	11,186,255

	Turnover 2002 £
Geographical market	
United Kingdom	8,744,479
Europe	306,306
Middle/Far East	254,588
North America	596,969
Africa	1,283,913
	11,186,255

3 Operating profit

	2002 £	As Restated 2001 £
Operating profit is stated after charging:		
Depreciation of tangible assets		
- Owned fixed assets	**411,968**	381,620
- Assets held under hire purchase contracts	**60,954**	63,644
Operating lease rentals	**342,688**	393,833
Auditors' remuneration	**12,000**	10,000

4 Other interest receivable and similar income

	2002 £	2001 £
Bank interest received (gross)	**1,615**	2,301

5	Interest payable	2002 £	2001 £
	On bank loans and overdrafts	**443,036**	589,913
	On other loans wholly repayable within 5 years	**13,377**	42,028
	Hire purchase interest	**31,701**	47,102
	On VAT assessment	**2,171**	-
	On overdue tax	**785**	3,119
	On amounts payable to factors	**58,766**	46,613
		549,836	728,775

6	Taxation	2002 £	2001 £
	U.K. current year taxation		
	U.K. corporation tax at 30% (2001 - 30%)	**205,142**	49,356
	Deferred taxation	**78,891**	141,613
		284,033	190,969
	Prior years		
	Deferred taxation	**(16,954)**	21,853
		267,079	212,822

Factors affecting tax charge for year

The tax for the year is higher than the standard rate of corporation tax in the U.K. (30%). The differences are explained below:

Profit on ordinary activities before tax	**824,999**	479,269
Profit on ordinary activities at U.K. corporation tax rate of 30% (2001 - 30%)	**247,500**	143,781
Effects of:		
Expenses not deductible for tax purposes	**36,419**	16,819
Utilisation of tax losses	**(41,399)**	(104,208)
Adjustment to tax charge in respect of prior periods	**-**	49,356
Capital allowances in excess of depreciation	**(37,378)**	(56,392)
Current tax charge for year	**205,142**	49,356

Factors which may affect future tax charges

The company has now utilised all brought forward tax losses, which have reduced tax payments in recent years.

7 **Tangible fixed assets**

	Leasehold Improvements	Fixtures and Fittings	Plant and Machinery	Rental Assets	Motor Vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 October 2001	37,030	250,950	1,140,158	3,458,542	65,226	4,951,906
Additions	23,051	26,777	71,545	630,691	-	752,064
Disposals	-	(47,832)	(186,349)	-	-	(234,181)
At 30 September 2002	60,081	229,895	1,025,354	4,089,233	65,226	5,469,789
Depreciation						
At 1 October 2001	2,045	110,323	942,746	852,956	21,531	1,929,601
Charge for the year	6,391	32,404	56,829	360,991	16,307	472,922
On disposals	-	(47,832)	(186,349)	-	-	(234,181)
At 30 September 2002	8,436	94,895	813,226	1,213,947	37,838	2,168,342
Net book value						
At 30 September 2002	51,645	135,000	212,128	2,875,286	27,388	3,301,447
At 30 September 2001	34,985	140,627	197,412	2,605,586	43,695	3,022,305

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and Machinery	Rental Assets	Motor Vehicles	Total
	£	£	£	£
Net book values				
At 30 September 2002	8,222	299,460	26,638	334,320
At 30 September 2001	10,464	342,240	42,570	395,274
Depreciation charge for the year				
30 September 2002	2,242	42,780	15,932	60,954
30 September 2001	2,243	42,780	18,621	63,644

8 Fixed asset investments

	Other investments	Shares in subsidiary undertakings	Total
	£	£	£
Cost			
At 1 October 2001	355,639	166,673	522,312
Additions	47,677	715,954	763,631
Disposals	(4,200)	-	(4,200)
At 30 September 2002	399,116	882,627	1,281,743

Holdings of more than 20%
The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
International Tubulars FZE	United Arab Emirates	Ordinary	100
International Drilling Supplies Limited	Scotland	Ordinary	100
ITS Specialist Drilling Tools Limited	Scotland	Ordinary	100
International Tubulars Egypt	Egypt	Ordinary	66
Shenzhen Weisheng ITS Tubular Equipment Co. Ltd	China	Ordinary	50

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves	Profit for the year
International Tubulars FZE	352,931	281,167
International Drilling Supplies Limited	96,057	(24,666)
ITS Specialist Drilling Tools Limited	(92,481)	(74,790)
International Tubulars Egypt	923,528	32,175
Shenzhen Weisheng ITS Tubular Equipment Co. Ltd	-	-

Included under 'Other investments' is an amount of £172,960 (2001 - £125,283) which relates to a joint venture investment with a Chinese company called Shenzhen Weisheng ITS Tubular Equipment Company Limited.

During the year, the company acquired a further 65.5% of the issued ordinary share capital in International Tubulars Egypt, and at 30 September 2002 the company held 66.2% of the issued ordinary share capital in International Tubulars Egypt.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2002

9 Stocks and work in progress	2002 £	2001 £
Work in progress	**42,440**	25,185
Stock	**3,475,419**	3,068,609
	3,517,859	3,093,794

10 Debtors	2002 £	2001 £
Trade debtors	**2,519,979**	3,178,754
Amounts owed by subsidiary and related undertakings	**1,758,061**	2,090,479
Other debtors	**314,424**	230,774
Prepayments and accrued income	**150,098**	73,006
	4,742,562	5,573,013

Included within 'Trade debtors' is an amount of £1,576,385 (2001 - £1,661,567) which is subject to an invoice discounting arrangement.

Included within 'Other debtors' are loans to the directors, R.G. Kidd and R.S. Coffey, amounting to £4,200 (2001 - £Nil) and £11,990 (2001 - £Nil), respectively. The maximum amounts oustanding on the directors loan accounts during the year was £4,200 and £27,172 respectively. These loans were interest free and there were no set repayment terms.

11 Creditors: amounts falling due within one year	2002	2001
	£	£
Bank loans and overdraft	**1,051,276**	4,988,595
Net obligations under hire purchase contracts	**105,098**	198,656
Trade creditors	**1,888,910**	1,519,833
Invoice discounting	**599,715**	1,309,559
Corporation tax	**289,690**	81,872
Other taxes and social security costs	**235,336**	192,940
Directors' loan account	**-**	300,000
Accruals and deferred income	**447,776**	437,081
	4,617,801	9,028,536

The bank overdraft and loans are secured by a bond and floating charge over the assets of the company. The Bank of Scotland also holds a cross guarantee with respect of the bank overdraft of ITS Specialist Drilling Tools Limited, a wholly owned subsidiary of International Tubular Services Limited. At 30 September 2002, the bank overdraft of that company stood at £30,242.

Bank of Scotland Cash Flow Finance holds security over those trade debtor balances which have been approved for invoice discounting.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2002

12 Creditors: amounts falling due after more than one year	2002 £	2001 £
Bank loans	5,750,000	1,190,873
Net obligations under hire purchase agreements	6,570	111,280
	5,756,570	1,302,153
Analysis of bank loans		
Not wholly repayable within five years other than by instalments	3,325,000	718,873
Wholly repayable within five years	2,925,000	1,635,000
	6,250,000	2,353,873
Included in current liabilities	(500,000)	(1,163,000)
	5,750,000	1,190,873
Loan maturity analysis		
Between one and two years	550,000	118,000
Between two and five years	1,875,000	354,000
In five years or more	3,325,000	718,873
Net obligations under finance leases and hire purchase contracts		
Repayable within one year	121,256	230,466
Repayable between one and five years	7,810	128,606
	129,066	359,072
Finance charges and interest allocated to future accounting periods	(17,398)	(49,136)
	111,668	309,936
Included in liabilities falling due within one year	(105,098)	(198,656)
	6,570	111,280

The Senior Term Loan is repayable by quarterly instalments ranging between £125,000 and £175,000 ending in January 2007. Interest is charged at 2% above the Bank of Scotland base rate.
The Mezzanine Term Loan is repayable by quarterly instalments ranging between £175,000 and £200,000 beginning in June 2007 and ending with a lump sum repayment of £2,200,000 in March 2009. Interest is charged at 3.5% above the Bank of Scotland base rate.

13 *Provisions for liabilities and charges*

	Deferred taxation £
Balance at 1 October 2001	385,983
Profit and loss account	61,937
Balance at 30 September 2002	447,920

Deferred tax is provided at 30% (2001 - 30%) analysed over the following timing differences:

	Fully provided 2002 £	2001 £
Accelerated capital allowances	449,724	385,983
Other timing differences	(1,804)	-
	447,920	385,983

14 Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £65,558 (2001 - £26,681). Contributions totalling £6,012 (2001 - £2,473) were payable to the fund at the year end and are included in creditors.

15 Share capital

	2002 £	2001 £
Authorised		
1,000,000 Ordinary Shares of £ 1 each	**1,000,000**	1,000,000
Allotted, called up and fully paid		
250,000 Ordinary Shares of £ 1 each	***250,000***	250,000

16 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 October 2001	1,244,752
Retained profit for the year	557,920
Balance at 30 September 2002	1,802,672

17 Reconciliation of movements in shareholders' funds

	2002 £	2001 £
Profit for the financial year	**557,920**	266,447
Opening shareholders' funds	**1,494,752**	1,228,305
Closing shareholders' funds	**2,052,672**	1,494,752

18 Financial commitments

At 30 September 2002 the company had annual commitments under non-cancellable operating leases as follows:

	Other 2002 £
Expiry date:	
Within one year	185,659
Between two and five years	52,053
	237,712

19 Capital commitments

	2002 £	2001 £
At 30 September 2002 the company had capital commitments as follows:		
Contracted for but not provided in the financial statements	**155,373**	-

20 Directors' emoluments

	2002	2001
	£	£
Emoluments for qualifying services	**470,368**	389,519
Company pension contributions to money purchase schemes	**5,720**	-
	476,088	389,519

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 2 (2001 - 0).

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	**184,518**	170,530

21 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2002 Number	2001 Number
Office and management	**17**	14
Direct	**61**	57
	78	71

Employment costs

	£	£
Wages and salaries	**2,370,774**	2,102,738
Social security costs	**206,994**	183,592
Other pension costs	**65,558**	26,681
	2,643,326	2,313,011

22 *Related party transactions*

During the year, the company invoiced ITS Specialist Drilling Tools Limited, International Tubulars FZE and International Tubulars Egypt, all of which are companies in which International Tubular Services Limited had a controlling interest, net amounts totalling £30,675 and this is included within turnover. During the year, the above subsidiaries invoiced net amounts totalling £20,411 to the company and this is included within cost of sales. As at 30 September 2002, these subsidiaries owed the company £1,745,632 (2001 - £2,090,479). The company continued to pay for costs on behalf of the joint venture in China amounting to £12,429 (2001 - £Nil). These balances are included in 'Amounts due by subsidiary and related undertakings' in Note 10.

As described in Note 11, the Bank of Scotland holds a cross guarantee with respect of the bank overdraft of ITS Specialist Drilling Tools Limited.

During the year, the company waived the balance due by its subsidiary company, International Drilling Supplies Limited, amounting to £28,231, as this company is no longer trading.

During the year, Lomex Limited, a company controlled by Mr. Robert Appleton, director, invoiced the company net amounts totalling £15,278 and this is included within cost of sales.

Further, the loan of £300,000 previously advanced by the director R.G. Kidd was repaid in full on 1 March 2002. The company further advanced the director £4,200, which remained outstanding at the year end. Also during the year, the company advanced the director, Mr. R. Coffey, net amounts totalling £11,990, which remained outstanding at the year end.

23 Control

The company was controlled throughout the current and previous year by the director, R.G.Kidd by virtue of his 95% holding of the company's issued ordinary share capital.