

Company Registration No. SC 260113 (Scotland)

ZENITH OILFIELD TECHNOLOGY LTD
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2012

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ZENITH OILFIELD TECHNOLOGY LTD

COMPANY INFORMATION

Directors	Mr Greg Davie Mr Mark Crews (Appointed 29 February 2012) Mr Alejandro Cestero (Appointed 29 February 2012) Mr Christopher Boone (Appointed 29 February 2012)
Secretary	Mr Alejandro Cestero
Company number	SC 260113
Registered office	Thainstone Business Park Inverurie Aberdeenshire AB51 5GT
Auditors	Johnston Carmichael LLP Bishop's Court 29 Albyn Place Aberdeen AB10 1YL
Business address	Thainstone Business Park Inverurie Aberdeenshire AB51 5GT
Solicitors	Stronachs LLP 34 Albyn Place Aberdeen AB10 1FW

ZENITH OILFIELD TECHNOLOGY LTD

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ZENITH OILFIELD TECHNOLOGY LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2012

The directors present their report and financial statements for the year ended 31 May 2012.

Principal activities and review of the business

The principal activity of the company is the provision of downhole technology, data and services to the international oil and gas industry. There have not been any significant changes in the company's principal activities during the year under review and the directors are not aware, at the date of this report, of any likely major changes to these activities in the next financial year.

The directors are pleased with the results for the year which are set out on page 5. They believe the continued growth is a reflection of the quality of the team who work together at Zenith and the products and service they provide. The growth is also attributable to the company's significant commitment to and investment in research and development. Further investment is planned in the current year and the directors are confident that new technology products currently being released will result in further revenue growth in 2013.

On 29th February 2012 the shareholders sold the entire share capital of the company to Lufkin Industries Holdings UK Limited. The ultimate parent company is Lufkin Industries Inc, a US incorporated company.

Principal risks, uncertainties and key performance indicators

In the year under review all the company's turnover arose overseas, principally in US dollars. The company is therefore exposed to the movement in US dollar to sterling exchange rates and seeks to manage this risk through the use of appropriate treasury management. The directors believe that given the straightforward nature of their business, a detailed analysis using key performance indicators in this report is not required.

Employees

Details of the number of employees and related costs can be found in note 20 to the financial statements.

Dividends

During the year the company did not pay a dividend (2011 : £1,600,000).

Directors

The following directors have held office since 1 June 2011:

Mr Greg Davie	
Mr Richard Hamilton	(Resigned 29 February 2012)
Mr Leslie Jordan	(Resigned 29 February 2012)
Mr Keith Kettlewell	(Resigned 29 February 2012)
Mr Mark Crews	(Appointed 29 February 2012)
Mr Alejandro Cestero	(Appointed 29 February 2012)
Mr Christopher Boone	(Appointed 29 February 2012)

Charitable Donations	2012 £	2011 £
During the year the company made the following payments:		
Charitable donations	1,102	8,000

All donations were made in order to benefit local communities.

ZENITH OILFIELD TECHNOLOGY LTD

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' 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 accounting 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 adequate 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.

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



Mr Greg Davie

Director

6/3/13

ZENITH OILFIELD TECHNOLOGY LTD

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ZENITH OILFIELD TECHNOLOGY LTD

We have audited the financial statements of Zenith Oilfield Technology Ltd for the year ended 31 May 2012 set out on pages 5 to 19. 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 auditors' 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 pages 1 - 2, 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 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 Directors' Report 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 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 May 2012 and of its profit 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.

ZENITH OILFIELD TECHNOLOGY LTD

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF ZENITH OILFIELD TECHNOLOGY LTD

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.



Brian Moran (Senior Statutory Auditor)
for and on behalf of Johnston Carmichael LLP

6th March 2013

Chartered Accountants
Statutory Auditor

Bishop's Court
29 Albyn Place
Aberdeen
AB10 1YL

ZENITH OILFIELD TECHNOLOGY LTD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MAY 2012

	Notes	2012 £	2011 £
Turnover	2	26,675,137	21,878,963
Cost of sales		(11,361,329)	(10,008,338)
Gross profit		15,313,808	11,870,625
Administrative expenses		(8,307,294)	(6,948,847)
Operating profit	3	7,006,514	4,921,778
Other interest receivable and similar income	4	6,302	3,407
Interest payable and similar charges	5	(369)	(698)
Profit on ordinary activities before taxation		7,012,447	4,924,487
Tax on profit on ordinary activities	6	(338,306)	(1,253,230)
Profit for the year	16	6,674,141	3,671,257

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.

ZENITH OILFIELD TECHNOLOGY LTD

BALANCE SHEET

AS AT 31 MAY 2012

	Notes	2012 £	£	2011 £	£
Fixed assets					
Intangible assets	7		-		12,500
Tangible assets	8		331,369		314,696
Investments	9		243,744		243,744
			<u>575,113</u>		<u>570,940</u>
Current assets					
Stocks	10	2,794,731		2,363,751	
Debtors	11	7,475,540		5,249,970	
Cash at bank and in hand		7,403,288		3,287,610	
		<u>17,673,559</u>		<u>10,901,331</u>	
Creditors: amounts falling due within one year	12	(3,927,319)		(3,836,089)	
Net current assets			<u>13,746,240</u>		<u>7,065,242</u>
Total assets less current liabilities			<u>14,321,353</u>		<u>7,636,182</u>
Provisions for liabilities	13		(8,692)		(18,072)
			<u>14,312,661</u>		<u>7,618,110</u>
Capital and reserves					
Called up share capital	15		106,123		100,000
Share premium account	16		14,287		-
Profit and loss account	16		14,192,251		7,518,110
Shareholders' funds	17		<u>14,312,661</u>		<u>7,618,110</u>

Approved by the Board and authorised for issue on 6/3/13



Mr Greg Davie
Director

Company Registration No. SC 260113

ZENITH OILFIELD TECHNOLOGY LTD

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY 2012

	2012	2011
£	£	£
Net cash inflow from operating activities	5,298,789	5,562,139
Returns on investments and servicing of finance		
Interest received	6,302	3,407
Interest paid	(369)	(698)
Net cash inflow for returns on investments and servicing of finance	5,933	2,709
Taxation	(1,017,571)	(885,817)
Capital expenditure and financial investment		
Payments to acquire tangible assets	(194,613)	(117,063)
Payments to acquire investments	-	(243,744)
Receipts from sales of tangible assets	2,730	204
Receipts from sales of investments	-	60
Net cash outflow for capital expenditure	(191,883)	(360,543)
Equity dividends paid	-	(1,600,000)
Net cash inflow before management of liquid resources and financing	4,095,268	2,718,488
Financing		
Issue of ordinary share capital	20,410	-
Net cash inflow/(outflow) from financing	20,410	-
Increase in cash in the year	4,115,678	2,718,488

ZENITH OILFIELD TECHNOLOGY LTD

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MAY 2012

1	Reconciliation of operating profit to net cash inflow from operating activities	2012		2011	
		£		£	
	Operating profit	7,006,514		4,921,778	
	Depreciation of tangible assets	175,210		158,548	
	Amortisation of intangible assets	12,500		292,709	
	(Increase)/decrease in stocks	(430,980)		350,440	
	(Increase)/decrease in debtors	(2,068,467)		640,076	
	Increase/(decrease) in creditors within one year	604,012		(801,412)	
	Net cash inflow from operating activities	5,298,789		5,562,139	
2	Analysis of net funds	1 June 2011	Cash flow	Other non-cash changes	31 May 2012
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	3,287,610	4,115,678	-	7,403,288
	Bank deposits	-	-	-	-
	Net funds	3,287,610	4,115,678	-	7,403,288
3	Reconciliation of net cash flow to movement in net funds	2012		2011	
		£		£	
	Increase in cash in the year	4,115,678		2,718,488	
	Movement in net funds in the year	4,115,678		2,718,488	
	Opening net funds	3,287,610		569,122	
	Closing net funds	7,403,288		3,287,610	

ZENITH OILFIELD TECHNOLOGY LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2012

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Revenue is recognised on despatch of goods to customers and service revenue is recognised on provision of services.

1.4 Research and development

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

1.5 Intellectual property

Intellectual property is to be amortised over its expected useful life.

1.6 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 on a straight line basis, as follows:

Tenant's improvements	- 5 years
Plant and machinery	- 3-5 years
Computer equipment	- 2 years
Furniture & equipment	- 3-5 years
Tooling & patterns	- 3 years
Software	- 2 years

1.7 Investments

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

1.8 Stock and work in progress

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

1.9 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year under a defined contribution scheme.

1.10 Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

ZENITH OILFIELD TECHNOLOGY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

1 Accounting policies (continued)

1.11 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.

1.12 Group accounts

The financial statements present information about the company as an individual company and not about its group. The company's subsidiary undertaking has been excluded on grounds of materiality and consolidated accounts have not therefore been prepared.

1.13 Derivative financial instruments

The company uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The company does not hold or issue derivative financial instruments for speculative purposes.

2 Turnover

In the year to 31 May 2012 100.00% (2011 - 100.00%) of the company's turnover was to markets outside the United Kingdom.

3	Operating profit	2012 £	2011 £
	Operating profit is stated after charging:		
	Amortisation of intangible assets	12,500	292,709
	Depreciation of tangible assets	175,210	158,548
	Loss on foreign exchange transactions	-	473,299
	Research and development	525,337	268,035
	Auditors' remuneration	13,500	13,000
	and after crediting:		
	Profit on foreign exchange transactions	(576,875)	-

4	Investment income	2012 £	2011 £
	Bank interest	6,302	3,407
		<u>6,302</u>	<u>3,407</u>

ZENITH OILFIELD TECHNOLOGY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

5	Interest payable	2012 £	2011 £
	Other interest	369	698
		<u>369</u>	<u>698</u>

ZENITH OILFIELD TECHNOLOGY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

6	Taxation	2012 £	2011 £
	Domestic current year tax		
	U.K. corporation tax	268,128	1,269,000
	Adjustment for prior years	777	-
		<u>268,905</u>	<u>1,269,000</u>
	Foreign corporation tax		
	Foreign corporation tax	78,781	-
		<u>347,686</u>	<u>1,269,000</u>
	Total current tax		
		<u>347,686</u>	<u>1,269,000</u>
	Deferred tax		
	Deferred tax charge/(credit)	(6,551)	(13,353)
	Movement in deferred tax rate	(1,271)	(2,417)
	Deferred tax adjust re previous year	(1,558)	-
		<u>(9,380)</u>	<u>(15,770)</u>
		<u>338,306</u>	<u>1,253,230</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>7,012,447</u>	<u>4,924,487</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 25.67% (2011 - 27.67%)	<u>1,800,095</u>	<u>1,362,606</u>
	Effects of:		
	Non deductible expenses	1,038	7,163
	Depreciation add back	44,970	43,870
	Capital allowances	(37,285)	(46,424)
	Share scheme deduction	(1,209,854)	-
	Additional deduction for R&D expenditure	(40,629)	-
	Group relief	(289,296)	-
	Unrelieved foreign tax	79,558	-
	Other tax adjustments	(911)	(98,215)
		<u>(1,452,409)</u>	<u>(93,606)</u>
	Current tax charge for the year	<u>347,686</u>	<u>1,269,000</u>

ZENITH OILFIELD TECHNOLOGY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

7 Intangible fixed assets

	Intellectual property £
Cost	
At 1 June 2011 & at 31 May 2012	848,125
Amortisation	
At 1 June 2011	835,625
Charge for the year	12,500
At 31 May 2012	848,125
Net book value	
At 31 May 2012	-
At 31 May 2011	12,500

8 Tangible fixed assets

	Tenant's improvements £	Plant and machinery £	Furniture & equipment £	Tooling & patterns £	Total £
Cost					
At 1 June 2011	46,678	476,717	50,706	133,440	707,541
Additions	4,568	173,189	1,241	15,615	194,613
Disposals	-	(8,586)	-	-	(8,586)
At 31 May 2012	51,246	641,320	51,947	149,055	893,568
Depreciation					
At 1 June 2011	10,892	286,811	15,561	79,581	392,845
On disposals	-	(5,856)	-	-	(5,856)
Charge for the year	9,882	125,981	11,444	27,903	175,210
At 31 May 2012	20,774	406,936	27,005	107,484	562,199
Net book value					
At 31 May 2012	30,472	234,384	24,942	41,571	331,369
At 31 May 2011	35,786	189,906	35,145	53,859	314,696

ZENITH OILFIELD TECHNOLOGY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

9 Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 1 June 2011 & at 31 May 2012	243,744
Net book value	
At 31 May 2012	243,744
At 31 May 2011	243,744

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	Class	Shares held %
Subsidiary undertakings			
Zenith Oilfield Technology LLC	Oman	Ordinary	100.00

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 2012 £	Profit/(loss) for the year 2012 £
	Principal activity		
Zenith Oilfield Technology LLC	Non trading	222,438	-

10 Stocks and work in progress

	2012 £	2011 £
Work in progress	209,130	198,237
Finished goods and goods for resale	2,585,601	2,165,514
	2,794,731	2,363,751

ZENITH OILFIELD TECHNOLOGY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

11 Debtors	2012 £	2011 £
Trade debtors	6,186,587	4,872,468
Corporation tax	157,103	-
Other debtors	523,131	168,325
Prepayments and accrued income	608,719	209,177
	<u>7,475,540</u>	<u>5,249,970</u>

12 Creditors: amounts falling due within one year	2012 £	2011 £
Trade creditors	2,917,315	2,122,236
Amounts owed to subsidiary undertakings	222,438	222,438
Corporation tax	-	512,782
Other taxes and social security costs	85,141	80,213
Accruals and deferred income	702,425	898,420
	<u>3,927,319</u>	<u>3,836,089</u>

13 Provisions for liabilities	Deferred tax liability £
Balance at 1 June 2011	18,072
Profit and loss account	(9,380)
	<u>8,692</u>
Balance at 31 May 2012	<u>8,692</u>

The deferred tax liability is made up as follows:

	2012 £	2011 £
Accelerated capital allowances	22,599	18,072
Other timing differences	(13,907)	-
	<u>8,692</u>	<u>18,072</u>

ZENITH OILFIELD TECHNOLOGY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

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.

Defined contribution

	2012 £	2011 £
Contributions payable by the company for the year	243,860	228,976

15 Share capital

	2012 £	2011 £
Allotted, called up and fully paid		
106,123 Ordinary shares of £1 each	106,123	100,000

During the year, the company issued 6,123 Ordinary shares of £1 each to employees under option agreements.

16 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 1 June 2011	-	7,518,110
Profit for the year	-	6,674,141
Premium on shares issued during the year	14,287	-
Balance at 31 May 2012	14,287	14,192,251

ZENITH OILFIELD TECHNOLOGY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

17 Reconciliation of movements in shareholders' funds	2012	2011
	£	£
Profit for the financial year	6,674,141	3,671,257
Dividends	-	(1,600,000)
	<u>6,674,141</u>	<u>2,071,257</u>
Proceeds from issue of shares	20,410	-
	<u>6,694,551</u>	<u>2,071,257</u>
Net addition to shareholders' funds	7,618,110	5,546,853
Opening shareholders' funds	<u>7,618,110</u>	<u>5,546,853</u>
Closing shareholders' funds	<u><u>14,312,661</u></u>	<u><u>7,618,110</u></u>

18 Financial commitments

At 31 May 2012 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 May 2013:

	2012	2011
	£	£
Operating leases which expire:		
In over five years	<u>150,000</u>	<u>150,000</u>

At the year end, the company had entered into forward foreign exchange contracts of \$4,000,000 (2011: \$4,500,000) with a Sterling value of £2,579,313 (2011: £2,737,445) at the year end. These contracts are used to hedge against specific trading transactions and are not speculative in nature.

The company's bank facilities are secured by a floating charge over the whole assets of the company.

The company has issued performance guarantees to the value of US \$324,032.

ZENITH OILFIELD TECHNOLOGY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

19 Directors' emoluments	2012	2011
	£	£
Emoluments for qualifying services	506,881	918,994
Company pension contributions to money purchase schemes	80,939	99,969
	<u>587,820</u>	<u>1,018,963</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2011 - 4).

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

Emoluments for qualifying services	197,622	258,027
Company pension contributions to money purchase schemes	<u>21,275</u>	<u>21,275</u>

20 Employees

Number of employees

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

	2012	2011
	Number	Number
Management and Office Staff	34	33
Sales and Operations	42	38
Production	14	9
	<u>90</u>	<u>80</u>

Employment costs	2012	2011
	£	£
Wages and salaries	4,771,100	3,973,393
Social security costs	357,909	305,634
Other pension costs	243,860	228,976
	<u>5,372,869</u>	<u>4,508,003</u>

ZENITH OILFIELD TECHNOLOGY LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2012

21 Control

The ultimate parent company is Lufkin Industries Inc, a company registered in Texas.

Lufkin Industries Inc prepares group financial statements and copies can be obtained from Zenith Oilfield Technology Ltd's registered office, Thainstone Business Park, Inverurie, Aberdeenshire, AB51 5GT.

ZENITH OILFIELD TECHNOLOGY LTD
MANAGEMENT INFORMATION
FOR THE YEAR ENDED 31 MAY 2012

ZENITH OILFIELD TECHNOLOGY LTD

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MAY 2012

		2012		2011
	£	£	£	£
Turnover				
Mechanical Sales		5,762,660		3,944,574
Monitoring Sales		11,753,865		11,912,633
Field Personnel		1,162,191		1,139,588
Freight		689,059		521,223
CTS Sales		6,297,216		4,360,945
Zsight		1,010,146		-
		<u>26,675,137</u>		<u>21,878,963</u>
Cost of sales				
Opening stock	2,363,751		2,714,191	
Bad debt provision	331,643		(239,412)	
Purchases	10,457,285		7,881,021	
Commissions payable	911,037		892,126	
Carriage outwards	669,219		650,864	
Loss / (profit) on foreign exchange	(576,875)		473,299	
	<u>14,156,060</u>		<u>12,372,089</u>	
Closing stock	(2,794,731)		(2,363,751)	
		<u>(11,361,329)</u>		<u>(10,008,338)</u>
Gross profit	57.41%	15,313,808	54.26%	11,870,625
Administrative expenses		<u>(8,307,294)</u>		<u>(6,948,847)</u>
Operating profit		7,006,514		4,921,778
Other interest receivable and similar income				
Bank interest - received		6,302		3,407
Interest payable				
Other interest - paid		<u>(369)</u>		<u>(698)</u>
Profit before taxation	26.29%	<u><u>7,012,447</u></u>	22.51%	<u><u>4,924,487</u></u>

ZENITH OILFIELD TECHNOLOGY LTD

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED 31 MAY 2012

	2012	2011
	£	£
Administrative expenses		
Wages and salaries (excl. N.I.)	4,264,219	3,054,399
Directors' remuneration	506,881	918,994
Employer's NI contributions	289,927	191,969
Directors' social security	67,982	113,665
Directors' pension contributions	80,939	99,969
Staff pension costs	162,921	129,007
Staff Training	62,721	17,220
Building Maintenance	6,250	4,972
Other staff costs	119,259	104,072
Rent & Rates	207,323	188,597
Insurance	79,275	44,843
Light and heat	24,656	18,936
Overseas expenses	476,178	382,135
Quality System	650	595
Postage and courier costs	33,523	32,115
Marketing	96,560	72,764
Computer running costs	66,117	70,788
Telephone	87,925	80,497
Hire of equipment	61,701	49,238
Motor running expenses	66,379	43,626
Travelling expenses	518,287	408,864
Entertaining - allowable	30,725	22,795
Research and development cost	525,337	268,035
Legal and professional fees - allowable	202,964	115,198
Auditors remuneration	13,500	13,000
Bank charges	19,369	11,357
Sundry expenses - allowable	48,016	39,940
Amortisation	12,500	292,709
Depreciation	175,210	158,548
	8,307,294	6,948,847
