

**Company Registration No. SC 260113
(Scotland)**

Zenith Oilfield Technology Limited

Report and Financial Statements

**For the period from 1 June 2012 to
31 December 2012**

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Zenith Oilfield Technology Limited

Report and financial statements 2012

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Zenith Oilfield Technology Limited

Report and financial statements 2012

Officers and professional advisers

Directors

Mr Greg Davie
Mr Ian Milne
Ms Maria Khoury

Secretary

Ms Victoria Lazar

Registered office

Thainstone Business Park
Inverurie
Aberdeenshire
AB51 5GT

Business address

Thainstone Business Park
Inverurie
Aberdeenshire
AB51 5GT

Solicitors

Stronachs LLP
34 Albyn Place
Aberdeen AB10 1FW

Auditor

Deloitte LLP
Union Plaza 1 Union Wynd Aberdeen
AB10 1SL

Zenith Oilfield Technology Limited

Directors' report

The directors present their report and financial statements for the period from 1 June 2012 to 31 December 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 7. 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 29 February 2012 100% of the issued share capital of the company was acquired by Lufkin Industries Holdings UK Limited, a subsidiary of Lufkin Industries Inc, a US incorporated company. Subsequent to 31 December 2012, Lufkin Industries Inc has been acquired by General Electric Company.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing their report and financial statements for the period from 1 June 2012 to 31 December 2012.

Principal risks and uncertainties

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

Cash flow risk

In the year under review most of the company's turnover arose overseas, principally in US dollars, and the company is therefore exposed to the movement in US dollar to sterling exchange rates. The exposure to this risk is monitored and forward contracts are used when considered appropriate.

Credit risk

The principal financial assets are trade debtors, amounts owed by group undertaking, and bank balances. The company's credit risk is primarily attributable to its trade debtors and is managed through maintaining good customer relationships and the monitoring of credit levels and settlement periods. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The credit rating on liquid funds is considered limited because the counterparty is a bank with a credit-rating assigned by international credit-rating agencies.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company makes use of bank facilities.

Employees

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

Dividends

During the period from 1 June 2012 to 31 December 2012 the company did not pay a dividend (Year ended 31 May 2012: £nil).

Zenith Oilfield Technology Limited

Directors' report (continued)

Directors

The directors, each of whom served throughout period 1 June 2012 to 31 December 2012 and to the date of this report, are:

Mr Greg Davie	
Mr Mark Crews	(resigned 29 August 2013)
Mr Alejandro Cestero	(resigned 29 August 2013)
Mr Christopher Boone	(resigned 29 August 2013)
Mr Ian Milne	(appointed 23 August 2013)
Ms Maria Khoury	(appointed 23 August 2013)

Charitable donations

During the year the company made the following payments:
Charitable donations

Period from 1 June 2012 to 31 December 2012 £	Year ended 31 May 2012 £
200	1,102

All donations were made in order to benefit local communities.

Statement of disclosure to auditor

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.

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

On 16 April 2013, Johnston Carmichael LLP resigned as auditors, and Deloitte LLP were subsequently appointed. Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as an auditor in the absence of an Annual General Meeting.

On behalf of the board



Mr Greg Davie
Director

25/9/13

Zenith Oilfield Technology Limited

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;
- 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 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.

Independent auditor's report to the members of Zenith Oilfield Technology Limited

We have audited the financial statements of Zenith Oilfield Technology Ltd for the period from 1 July 2012 to 31 December 2012 which comprise the profit and loss account, the balance sheet and the related notes 1 to 23. 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, 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 annual 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 December 2012 and of its profit for the period 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 auditor's report to the members of Zenith Oilfield Technology Limited (continued)

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.

A handwritten signature in black ink, appearing to read 'G Sheils'.

Graeme Sheils CA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Aberdeen, United Kingdom

25 September 2013

Zenith Oilfield Technology Limited

Profit and loss account

Period from 1 June 2012 to 31 December 2012

		Period from 1 June 2012 to 31 December 2012 £	Year ended 31 May 2012 (As restated) (Note 21) £
	Notes		
Turnover	2	18,935,055	26,675,137
Cost of sales		(8,584,096)	(11,606,561)
Gross profit		10,350,959	15,068,576
Administrative expenses		(5,618,447)	(8,062,062)
Operating profit	3	4,732,512	7,006,514
Other interest receivable and similar income	4	155,141	6,302
Interest payable and similar charges	5	(39)	(369)
Profit on ordinary activities before taxation		4,887,614	7,012,447
Tax on profit on ordinary activities	6	(537,147)	(338,306)
Profit for the year	16	4,350,467	6,674,141

All of the result for the current period and prior year arises from continuing operations.

There are no recognised gains and losses other than as included in the profit and loss account. Accordingly; no separate statement of total recognised gains and losses is presented.

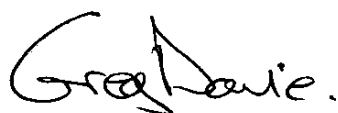
Zenith Oilfield Technology Limited

Balance sheet At 31 December 2012

	Notes	31 December 2012 £	31 May 2012 £
Fixed assets			
Tangible assets	8	270,750	331,369
Investments	9	243,744	243,744
		<u>514,494</u>	<u>575,113</u>
Current assets			
Stocks	10	3,613,781	2,794,731
Debtors			
- due within one year	11	11,526,250	7,475,540
- due after one year	11	6,351,474	-
Cash at bank and in hand		1,245,011	7,403,288
		<u>22,736,516</u>	<u>17,673,559</u>
Creditors: amounts falling due within one year	12	(4,587,882)	(3,927,319)
Net current assets		<u>18,148,634</u>	<u>13,746,240</u>
Total assets less current liabilities		<u>18,663,128</u>	<u>14,321,353</u>
Provisions for liabilities	13	-	(8,692)
		<u>18,663,128</u>	<u>14,312,661</u>
Capital and reserves			
Called up share capital	15	106,123	106,123
Share premium account	16	14,287	14,287
Profit and loss account	16	18,542,718	14,192,251
Shareholders' funds	17	<u>18,663,128</u>	<u>14,312,661</u>

The financial statements of Zenith Oilfield Technology Limited, registered number SC 260113 were approved by the Board and authorised for issue on 25 September 2013.

Signed on behalf of the Board of Directors



Mr Greg Davie
Director

Zenith Oilfield Technology Limited

Notes to the financial statements

Period from 1 June 2012 to 31 December 2012

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention, in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The principal accounting policies, which have been applied consistently in the current period and prior year, are set out below.

Cash flow statement

The company has taken advantage of the exemption within FRS 1 'Cash flow statements' (revised 1996) and has not prepared a cash flow statement on the grounds that the company is a wholly owned subsidiary of a parent undertaking which produces consolidated financial statements that are publicly available (note 23).

Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Revenue is recognised when the product is delivered and title passes to customers, and service revenue is recognised on provision of services.

Research and development

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

Intellectual property

Intellectual property is to be amortised over a period of 4 years which is its expected useful economic life.

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	2-5 years
Furniture and equipment	3-5 years
Tooling and patterns	3 years

Investments

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

Zenith Oilfield Technology Limited

Notes to the financial statements

Period from 1 June 2012 to 31 December 2012

1. Accounting policies (continued)

Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Pensions

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

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.

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.

Group accounts

The financial statements present information about the company as an individual company and not about its group. The company is exempt by virtue of s400 (1)a of the Companies Act 2006 from the requirement to prepare group financial statements as the results of the company are included in the consolidated financial statements of the ultimate parent company (note 23).

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 7 months ended 31 December 2012, 99% (year ended 31 May 2011: 100.00%) of the company's turnover was to markets outside the United Kingdom. No further analysis of turnover is provided as the directors consider that such disclosure may be prejudicial to the commercial interests of the company.

Zenith Oilfield Technology Limited

Notes to the financial statements

Period from 1 June 2012 to 31 December 2012

3. Operating profit

	Period from 1 June 2012 to 31 December 2012 £	Year ended 31 May 2012 £
Operating profit is stated after charging:		
Amortisation of intangible assets	-	12,500
Depreciation of tangible assets	107,233	175,210
Research and development	300,753	525,337
Rental of land and building under operating lease	213,738	357,925
Auditors' remuneration	23,200	13,500
Profit/(loss) on foreign exchange transactions	740,403	(576,875)

4. Investment income

	Period from 1 June 2012 to 31 December 2012 £	Year ended 31 May 2012 £
Bank interest	1,298	6,302
Loan interest	153,843	-
	<u>155,141</u>	<u>6,302</u>

5. Interest payable

	Period from 1 June 2012 to 31 December 2012 £	Year ended 31 May 2012 £
Other interest	<u>39</u>	<u>369</u>

Zenith Oilfield Technology Limited

Notes to the financial statements

Period from 1 June 2012 to 31 December 2012

6. Taxation

	Period from 1 June 2012 to 31 December 2012 £	Year ended 31 May 2012 £
Domestic current year tax		
U.K. corporation tax	545,842	268,128
Adjustment for prior years	(10,876)	777
	<u>534,966</u>	<u>268,905</u>
Foreign corporation tax		
Foreign corporation tax	25,765	78,781
	<u>25,765</u>	<u>78,781</u>
Total current tax	<u>560,731</u>	<u>347,686</u>
Deferred tax		
Deferred tax charge/(credit)	(24,232)	(6,551)
Movement in deferred tax rate	648	(1,271)
Deferred tax adjust re previous year	-	(1,558)
	<u>(23,584)</u>	<u>(9,380)</u>
	<u>537,147</u>	<u>338,306</u>
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	<u>4,887,615</u>	<u>7,012,447</u>
Profit on ordinary activities before taxation multiplied by standard rate of: UK corporation tax of 24.00% (31 May 2012: 25.67%)	<u>1,173,028</u>	<u>1,800,095</u>
Effects of:		
Non deductible expenses	3,498	1,038
Depreciation add back	25,184	44,970
Capital allowances	(6,936)	(37,285)
Shares scheme deduction	-	(1,209,854)
Additional deduction for R&D expenditure	(20,265)	(40,629)
Group relief	(634,652)	(289,296)
Unrelieved foreign tax	-	79,558
Other tax adjustments	20,874	(911)
	<u>(612,297)</u>	<u>(1,452,409)</u>
Current tax charge for the year	<u>560,731</u>	<u>347,686</u>

Zenith Oilfield Technology Limited

Notes to the financial statements

Period from 1 June 2012 to 31 December 2012

7. Intangible fixed assets

	Intellectual property £
Cost	
At 1 June 2012	848,125
Amortisation	
At 1 June 2012	848,125
Amortisation for the period	-
At 31 December 2012	848,125
Net book value	
At 31 December 2012	-
At 31 May 2012	-

8. Tangible fixed assets

	Tenant's improvements £	Plant and machinery £	Furniture and equipment £	Tooling and patters £	Total £
Cost					
At 1 June 2012	51,246	641,320	51,947	149,055	893,568
Additions	-	29,664	-	16,950	46,614
Disposals	-	(20,736)	-	-	(20,736)
At 31 December 2012	51,246	650,248	51,947	166,005	919,446
Depreciation					
At 1 June 2012	20,774	406,936	27,005	107,484	562,199
Disposals	-	(20,736)	-	-	(20,736)
Charge for the period	5,979	75,313	6,785	19,156	107,233
At 31 December 2012	26,753	461,513	33,790	126,640	648,696
Net book value					
At 31 December 2012	24,493	188,735	18,157	39,365	270,750
At 31 May 2012	30,472	234,384	24,942	41,571	331,369

Zenith Oilfield Technology Limited

Notes to the financial statements Period from 1 June 2012 to 31 December 2012

9. Fixed asset investments

	Shares in subsidiary undertaking £
Cost and net book value At 31 December 2012	243,744

The company holds 70% of the issued share capital of Zenith Oilfield Technology LLC, an entity registered in Oman that did not trade in the period or in the prior years. The aggregate capital and reserves of this entity at 31 December 2012 are £222,438 (31 May 2012: £222,438).

10. Stocks and work in progress

	31 December 2012 £	31 May 2012 £
Work in progress	511,644	209,130
Finished goods and goods for resale	3,102,137	2,585,601
	<u>3,613,781</u>	<u>2,794,731</u>

11. Debtors

	31 December 2012 £	31 May 2012 As restated £
Debtors: amount falling due within one year:		
Trade debtors	10,494,113	6,427,076
Corporation tax	-	157,103
Other debtors	222,420	282,642
Prepayments and accrued income	794,825	608,719
Deferred tax assets (Note 13)	14,892	-
	<u>11,526,250</u>	<u>7,475,540</u>

The trade debtors at 31 May 2012 are restated to reclassify debtors unrealised exchange gains of £240,489 as trade debtors rather than be included as other debtors. There was no impact on net assets or reported profit as a result of the restatement. The directors consider this a more appropriate presentation.

Zenith Oilfield Technology Limited

Notes to the financial statements

Period from 1 June 2012 to 31 December 2012

11. Debtors (continued)

	31 December 2012 £	31 May 2012 £
Debtors: amount falling due after more than one year:		
Amounts owed by group undertakings	6,351,474	-

12. Creditors: amounts falling due within one year

	31 December 2012 £	31 May 2012 £
Trade creditors	2,702,535	2,917,315
Amounts owed to subsidiary undertakings	268,844	222,438
Corporation tax	252,865	-
Other taxes and social security costs	101,332	85,141
Accruals and deferred income	1,262,306	702,425
	4,587,882	3,927,319

13. Provisions for liabilities

	Deferred tax asset/ (liability) £
Balance at 1 June 2012	(8,692)
Movement in period	23,584
Balance at 31 December 2012	14,892

The deferred tax asset/(liability) is made up as follows:

	31 December 2012 £	31 May 2012 £
Accelerated capital allowances	(4,170)	(22,599)
Other timing differences	19,062	13,907
	14,892	(8,692)

Zenith Oilfield Technology Limited

Notes to the financial statements

Period from 1 June 2012 to 31 December 2012

13. Provisions for liabilities (continued)

The deferred tax assets recognised of £14,892 arises as a result of excess depreciation in advance of capital allowance of the fixed assets. This represents the directors' estimate of amounts considered more likely than not to be recoverable.

The Finance Act 2012, which provides for a reduction in the main rate of corporation tax from 24% to 23% effective from 1 April 2013, was substantively enacted on 3 July 2012. As the rate change was substantively enacted by the balance sheet, deferred tax has been calculated at 23%.

On 20 March 2013 the Finance Act 2013 further reduced the main rate of corporation tax to 21% from 1 April 2014 and to 20% from 1 April 2015. As the changes in the corporation tax rate were not substantively enacted at the balance sheet date, they have not been reflected in these financial statements.

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. There was no contribution payable or prepaid at 31 December 2012 or 31 May 2012.

Defined contribution

	Period from 1 June 2012 to 31 December 2012 £	Year ended 31 May 2012 £
Contributions payable by the company for the year	133,339	243,860

15. Share capital

	31 December 2012 £	31 May 2012 £
Allotted, called up and fully paid 106,123 Ordinary shares of £1 each	106,123	106,123

16. Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 1 June 2012	14,287	14,192,251
Profit for the period	-	4,350,467
Balance at 31 December 2012	14,287	18,542,718

Zenith Oilfield Technology Limited

Notes to the financial statements

Period from 1 June 2012 to 31 December 2012

17. Reconciliation of movements in shareholders' funds

	31 December 2012 £	31 May 2012 £
Profit for the financial year	4,350,467	6,674,141
Proceeds from issue of shares	4,350,467 -	6,674,141 20,410
Net addition to shareholders' funds	4,350,467	6,694,551
Opening shareholders' funds	14,312,661	7,618,110
Closing shareholders' funds	18,663,128	14,312,661

18. Financial commitments

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

	31 December 2012 £	31 May 2012 £
Land and buildings		
Operating leases which expire: In over five years	150,000	150,000

At 31 December 2012, the company had entered into forward foreign exchange contracts of \$nil (31 May 2012: \$4,000,000) with a Sterling value of £nil (year ended 31 May 2012: £2,579,313). Foreign exchange contracts are used to hedge against specific trading transactions and are not speculative in nature

The company has bank facilities which are secured by a floating charge over the whole assets of the company. The company has issued performance guarantees to the value of £137,791.

Zenith Oilfield Technology Limited

Notes to the financial statements

Period from 1 June 2012 to 31 December 2012

19. Directors' emoluments

	Period from 1 June 2012 to 31 December 2012 £	Year ended 31 May 2012 £
Emoluments for qualifying services	127,741	506,881
Company pension contributions to money purchase schemes	12,411	80,939
	<u>140,152</u>	<u>587,820</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (year ended 31 May 2012:1).

20. Employees

Number of employees

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

	Period from 1 June 2012 to 31 December 2012 Number	Year ended 31 May 2012 Number
Management and Office Staff	35	34
Sales and Operations	45	42
Production	17	14
	<u>97</u>	<u>90</u>

Employment costs

	Period from 1 June 2012 to 31 December 2012 £	Year ended 31 May 2012 £
Wages and salaries	2,918,153	4,771,100
Social security costs	217,110	357,909
Other pension costs	133,339	243,860
	<u>3,268,602</u>	<u>5,372,869</u>

Zenith Oilfield Technology Limited

Notes to the financial statements

Period from 1 June 2012 to 31 December 2012

21. Restatement

The profit and loss account for the year ended 31 May 2012 has been restated to reclassify bad debt expenses and gains/losses on foreign exchange from cost of sales to administrative expenses, as the directors consider this a more appropriate presentation. There was no impact on net assets or profit as a result of this restatement.

	Year ended 31 May 2012		
	As previously reported £	Adjustment £	As restated £
Turnover	26,675,137	-	26,675,137
Cost of sales	(11,361,329)	(245,232)	(11,606,561)
Gross profit	15,313,808	(245,232)	15,068,576
Administrative expenses	(8,307,294)	245,232	(8,062,062)
Operating profit	7,006,514	-	7,006,514
Other interest receivable and similar income	6,302	-	6,302
Interest payable and similar charges	(369)	-	(369)
Profit on ordinary activities before taxation	7,012,447	-	7,012,447
Tax on profit on ordinary activities	(338,306)	-	(338,306)
Profit for the year	6,674,141	-	6,674,141

22. Related party transactions

The company has taken advantage of paragraph 3(c) of FRS 8 (Related Party Disclosures) and hence has not disclosed details of transactions with other group companies in which Lufkin Industries Inc. ultimately owns 100% or more of the share capital

23. Control

As at 31 December 2012, the ultimate parent company which heads the largest and smallest group of undertakings for which group financial statements are drawn up was Lufkin Industries Inc. ("Lufkin"), a company registered in Texas, USA.

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

On 5 April 2013, the Lufkin Industries Inc entered into an Agreement and Plan of Merger (the "Merger Agreement") with General Electric Company ("GE"), a New York corporation, and Red Acquisition, Inc. ("Merger Sub"), a Texas corporation and a wholly owned subsidiary of GE.

On 1 July 2013, the completion of the acquisition of Lufkin by GE was announced. Pursuant to the terms of the previously announced Agreement and Plan of Merger, dated as of April 5, 2013, by and among Lufkin, GE, and Merger Sub, Merger Sub was merged with and into Lufkin, with Lufkin continuing as the surviving corporation (the "Merger"). As a result of the Merger, Lufkin became a wholly owned subsidiary of GE.