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STIMWELL SERVICES LIMITED
(Company Number: SC335751)

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 December 2012

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COMPANIES HOUSE

Anderson Anderson & Brown LLP
Chartered Accountants

STIMWELL SERVICES LIMITED
DIRECTORS' REPORT

Directors:	S Abi-Haidar W H Jenkins S N Edgley
Secretary:	M D Secretaries Limited
Registered office:	13 Queens Road, Aberdeen, AB15 4YL

The directors submit their report and the audited accounts of the company for the year to 31 December 2012.

RESULTS AND DIVIDENDS

The loss for the year was US$5,747,898 (2011 - US$14,655,910) and the balance sheet shows total negative equity of US$33,480,334 (2011 - (US$27,732,436)).

No dividends were paid or proposed for the year.

BUSINESS AND OPERATIONS REVIEW

The principal activity of the group is the provision of fracturing services to the oil and gas industry.

Stimwell Services Limited ("SSLTD"), through its parent Stimwell Services BV ("SSBV") charters a supply vessel "The Island Patriot" from Island Offshore. The vessel was converted into a stimulation vessel in July 2010. The vessel conversion was completed in July 2010 and the Island Patriot entered service later that month

SSLTD charters the Island Patriot to BP Norway and when available the vessel can also be made available to other North Sea operators. The contract with BP Norway is for 4 years firm with three options to extend for 2-year periods.

During the year, in addition to BP, SSLTD completed 7 major fracturing campaigns on behalf of a number of European oil and gas companies operating in the North Sea, including 2 new clients. SSLTD believes this is significant as the company becomes established as a reliable partner for fracturing services and the cost and efficiency benefits of a new, up-to-date fracturing vessel become understood by clients.

DIRECTORS

The directors of the company are listed above.

QHSE

During 2012 SSLTD continued to improve and update the Quality Management System to include a dedicated HR Training and Personnel database for maintaining all personnel training and development awards and programmes. The QHSE Reporting system monitors all accident and incident reports along with Safety Observations and non-conformances. A quarterly HSE Newsletter is produced maintaining information, news and statistics on the company.

A dedicated Iron Management System has been implemented to record maintenance, testing and certification records for all high pressure treating iron and related safety equipment. 2012 also saw the establishment of a Rig Up crew for offshore installations to provide dedicated trained StimWell personnel for all jobs. External audits were carried out by StimWell Services on a major chemical supplier and waste handler and an audit on the StimWell Services QHSE Systems from FPAL saw a significant increase in our score over previous audits.

The environmental monitoring equipment for both the vessel environment and personnel has been obtained and the programme is to be implemented through 2013 to aid with ISO 14001 accreditation, for which the company has a target for the start of full integrated management system accreditation to be in place during 2013.

Environmental and green Chemical systems are being further developed with close working relationships between the Group and our suppliers.

In 2012 we had no spills from any of our operations - which is in keeping with our objective of no reportable spills to the environment, which is a year on year safety target.

FINANCE

The loss for the year of US$5,747,898 represents a significant improvement on 2011 (US$14,655,910) and is largely due to the increase in third party work during the year.

Cashflow remains very strong with net cashflow from operations for the year of US$13,030,623, underpinned by the contract with BP Norway. Cash balance as at year end is US$26,349,386 and is expected to increase markedly during the first quarter of 2013 as work completed towards the end of 2012 is paid. Trade receivables at year end stood at over US$12m.

Deferred revenue remains high, increasing by US$32,814,965 during 2012, reflecting the limited usage of the vessel by BP; however based on current projections the deferred revenue balance is expected to reduce over the next 12-18 months. As this deferred revenue is worked off, the revenue will be released to the statement of comprehensive income. SSLTD is currently on course to post its first profit during 2013.

OUTLOOK

The group views the future with confidence. 2013 has already seen an increase in work for BP on the Valhall field and the current indications are that the vessel will be busy with an active programme on Valhall during the rest of 2013 and beyond. Since the year end SSTLD has completed 3 fracturing campaigns for third parties.

The group's projections, which are underpinned by the BP Norway contract, show that the company will generate strong cash flows over the contract period.

In addition SSLTD sees increasing opportunities for fracturing work for other third party clients.

The group is currently in discussions with BP Norway to extend the contract for 2 years upon expiry of the 4 year firm period in July 2014.

KEY PERFORMANCE INDICATORS

Given the nature of the business the Company is of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk relates to the continued receipt of the contractual monthly payment by BP Norway for fracturing services in relation to the Island Patriot vessel. This risk relates mainly to the Island Patriot being available and able to perform fracturing operations under the contract with BP Norway. This risk has been substantially mitigated following the acceptance of the vessel by BP Norway under the contract and successful completion of fracturing operations on behalf of BP.

Other risks and uncertainties in the business include environmental risks, foreign exchange risks and operation risk.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group's financial risk management objectives and policies are set out in Note 20.

AUDITORS

Anderson Anderson & Brown LLP have expressed their willingness to continue in office and a resolution proposing their re-appointment will be submitted at the annual general meeting.

Signed on behalf of the board of directors

Director - S N Edgley

16/9/2013 Date

STIMWELL SERVICES 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 applicable United Kingdom law and those International Financial Report Standards as adopted by the European Union ("IFRS"). 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 the affairs of the company and of the loss of the company for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies in accordance with IAS8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance; and
- state that the company has complied with IFRS, subject to any material departures disclosed and explained in the accounts.

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 AUDITORS' REPORT TO THE SHAREHOLDERS OF
STIMWELL SERVICES LIMITED

We have audited the financial statements of StimWell Services Limited for the year ended 31 December 2012 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, the Statement of Financial Position, Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out therein. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 Statement of Directors' Responsibilities 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 relevant legal and regulatory requirements 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 December 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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.

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.

Anderson Anderson & Brown LLP

Ian McPherson (Senior Statutory Auditor)
For and on behalf of
Anderson Anderson & Brown LLP
Statutory Auditor
Aberdeen
AB15 4YL

16/9/13

STIMWELL SERVICES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 US$	2011 US$
REVENUE		33,006,539	15,220,380
Cost of sales		(36,622,003)	(36,378,830)
GROSS LOSS		(3,615,464)	(21,158,450)
Management charge		180,193	207,419
Administrative expenses		(2,470,153)	(2,400,906)
OPERATING LOSS	2, 3, 4, 5	(5,905,424)	(23,351,937)
Finance income		26,458	18,117
Finance costs	6	(620,101)	(566,885)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS		(6,499,067)	(23,900,705)
Income tax credit	7	751,169	9,244,795
LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS		(5,747,898)	(14,655,910)
OTHER COMPREHENSIVE INCOME		-	
Other comprehensive income for the year, net of tax			-
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX		$ (5,747,898)	$ (14,655,910)

STIMWELL SERVICES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Retained earnings US$	Issued capital (Note 15) US$	Total US$
At 1 January 2011	(13,078,473)	1,947	(13,076,526)
LOSS FOR THE YEAR AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	(14,655,910)	-	(14,655,910)
At 31 December 2011	(27,734,383)	1,947	(27,732,436)
LOSS FOR THE YEAR AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR	(5,747,898)	-	(5,747,898)
At 31 December 2012	$ (33,482,281)	$ 1,947	$ (33,480,334)

STIMWELL SERVICES LIMITED
STATEMENT OF FINANCIAL POSITION - 31 DECEMBER 2012
REGISTERED NUMBER: SC335751

	Note	2012 US$	2011 US$
NON-CURRENT ASSETS			
Property, plant and equipment	8	73,710	47,233
Deferred tax asset (recoverable in more than 1 year)	7	9,995,964	9,244,795
		10,069,674	9,292,028
CURRENT ASSETS			
Inventory	9	2,882,653	1,248,871
Trade and other receivables	10	31,814,060	13,346,591
Cash and short-term deposits	11	26,349,386	11,016,450
		61,046,099	25,611,912
CURRENT LIABILITIES			
Trade and other payables	12	(10,663,814)	(1,247,188)
Interest bearing loans and borrowings	13	(422,874)	(694,734)
		(11,086,688)	(1,941,922)
NET CURRENT ASSETS		49,959,411	23,669,990
Deferred revenue	15	(93,509,419)	(60,694,454)
		$ (33,480,334)	$ (27,732,436)
EQUITY			
Share capital	16	1,947	1,947
Retained earnings	18	(33,482,281)	(27,734,383)
TOTAL EQUITY		$ (33,480,334)	$ (27,732,436)

Signed on behalf of the board of directors

Director - S N Edgley

16/9/2013 *Date*

STIMWELL SERVICES LIMITED
STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 US$	2011 US$
Loss before tax	(6,499,067)	(23,900,705)
Non-cash adjustments to reconcile profit before tax to net cash flows:		
Depreciation	25,570	21,772
Finance income	(26,458)	(18,117)
Finance costs	186,495	229,570
Exchange differences	433,606	337,315
Working capital adjustments:		
Increase in trade and other receivables	(21,093,689)	(7,405,677)
Increase/ (decrease) in trade and other payables	9,416,626	(3,493,047)
Increase in deferred revenue	32,814,965	41,815,775
Increase in inventory	(1,633,782)	(794,507)
	13,624,266	6,792,379
Interest received	26,458	18,117
Interest paid and exchange differences	(620,101)	(566,885)
NET CASH FLOWS FROM OPERATING ACTIVITIES	13,030,623	6,243,611
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(52,047)	(8,145)
Disposal of property, plant and equipment	-	-
NET CASH FLOWS FROM INVESTING ACTIVITIES	(52,047)	(8,145)
FINANCING ACTIVITIES		
Net amount transferred to parent	2,626,220	-
Repayment of borrowings	(271,860)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	2,354,360	-
Net increase in cash and cash equivalents	15,332,936	6,235,466
Cash and cash equivalents at 1 January	11,016,450	4,780,984
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	26,349,386	$ 11,016,450

1. ACCOUNTING POLICIES

(a) *Authorisation of financial statements and statement of compliance with IFRS*

The financial statements of Stimwell Services Limited for the year ended 31 December 2012 were authorised by the Board of Directors on 26 July 2013 and the balance sheet was signed on the Board's behalf by S Abi-Haidar. The company is incorporated in Scotland and domiciled in England.

The financial statements are prepared on a historical cost basis except for derivative financial instruments which have been measured at fair value. The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union as they apply to the financial statements of the company for the year ended 31 December 2012, and applied in accordance with the Companies Act 2006.

The financial statements have been prepared on the going concern basis. Although the company has a deficit on total equity of $33,480,334, the directors believe the assumption remains appropriate on the basis that the company is cash generative and at the balance sheet date has cash balances in excess of $26 million. The directors' opinion is supported by detailed projections, demonstrating profitability and cash generation under a number of different scenarios.

(b) *Changes in accounting policy and disclosures*

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011:

- IAS 24 *Related Party Disclosures (amendment)* effective 1 January 2011
- IAS 32 *Financial Instruments: Presentation (amendment)* effective 1 February 2010
- IFRIC 14 *Prepayments of a Minimum Funding Requirement (amendment)* effective 1 January 2011
- Improvements to IFRSs (May 2010)

The adoption of the standards or interpretations is described below:

IAS 24 *Related Party Transactions (Amendment)*
The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasis a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces and exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the company.

IAS 32 *Financial Instruments: Presentation (Amendment)*
The amendment has had no effect on the financial position or performance of the company because it does not have these type of instruments.

IFRIC 14 *Prepayments of a Minimum Funding Requirement (Amendment)*

The company is not subject to minimum funding requirements given its current arrangements, therefore the amendment of the interpretation has no effect on the financial position nor performance of the company.

1. ACCOUNTING POLICIES (continued)

(b) *Changes in accounting policy and disclosures* (continued)

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the company.

- IRFS 3 *Business Combinations:* The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

- The amendments to IFRS 3 are effective for annual periods beginning on or after 1 July 2011. The company however, adopted these as of 1 January 2011 and changed its accounting policy accordingly as the amendment was issued to eliminate unintended consequences that may arise from the adoption of IFRS 3.

- IFRS 7 *Financial Instruments - Disclosures:* The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The company reflects the revised disclosure requirements in Note 19.

- IAS 1 *Presentation of Financial Statements:* The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements.

Other amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the company:

- IFRS 3 *Business Combinations* (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))

- IFRS 3 *Business Combinations* (Un-replaced and voluntarily replaced share-based payment awards)

- IAS 27 *Consolidated and Separate Financial Statements*

- IAS 34 *Interim and Financial Statements*

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position of performance of the company:

- IFRIC 13 *Customer Loyalty Programmes* (determining the fair value of award credits)

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*

1. ACCOUNTING POLICIES (continued)

(c) *Key judgements and sources of estimation uncertainty*

In the process of applying the company's accounting policies, management may make significant judgements. Other than the recognition of tax liabilities and deferred tax assets described below, there are no key assumptions concerning the future or other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Deferred tax assets and tax liabilities
Deferred tax assets are recognised for temporary differences between the carrying amounts for financial reporting purposes of assets and liabilities and the amounts used for taxation purposes and for tax loss carry-forwards. The valuation of tax loss carry-forwards, deferred tax assets and the company's ability to utilise tax losses is based upon management's estimates of future taxable income in different tax jurisdictions.

At 31 December 2012, a deferred tax asset of $9,995,964 has been recognised. The asset relates to tax losses carried forward. Recognition is based on the judgement of the directors, who have prepared detailed forecasts of profitability and concluded that, on a balance of probabilities, it is likely that the company will have future profits against which the tax losses can be offset.

The company has submitted tax returns in overseas' jurisdictions which are the subject of ongoing enquiry by local tax authorities. The company's accounts are based on the returns submitted, however, in the event that the returns required amendment, there may be tax payable overseas.

Deferred income
The company has a four year contract (with three optional two year extensions) to perform fracturing work for a customer in Norway and the vessel will also be made available to other North Sea operators.

The scope of work originally envisioned has been deferred by about two years. This has meant that, whilst the group has been receiving cash payments in accordance with the contract, some of these receipts will not be recognised as revenue until either the work is performed or a final settlement is made in accordance with the terms of the contract. The timing of the recognition of this deferred revenue will depend on the timing of the work.

(d) *Foreign currencies*

The company's accounts are presented in US$, which is the company's functional currency. That is the currency of the primary economic environment in which the company operates. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

1. ACCOUNTING POLICIES (continued)

(e) *Revenue recognition*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and sales taxes or duty. The company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Rendering of services
Revenue from the provision of fracturing services is recognised by reference to the stage of completion. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered. Monthly fees payable under contracts are recognised only to the extent that fracturing services have been provided with the balance treated as deferred revenue.

Interest income
For all financial instruments measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

(f) *Taxes*

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the Balance Sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the Income Statement.

1. ACCOUNTING POLICIES (continued)

(g) *Financial assets*

Initial recognition and measurement
Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

The company's financial assets include cash and short-term deposits, trade and other receivables, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement
The subsequent measure of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined in IAS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit and loss are carried in the balance sheet at fair value with changes in fair value recognised in finance income or finance cost in the income statement.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR) less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

Derecognition
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred or retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

1. ACCOUNTING POLICIES (continued)

(h) *Financial liabilities*

Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The company's financial liabilities include trade and other payables, bank overdraft, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial statements are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the income statement.

The company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

Loans and borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the income statement.

(i) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1. ACCOUNTING POLICIES (continued)

(j) *Fair value of financial instruments*

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

(k) *Property, plant and equipment*

Plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced in intervals, the company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Plant and equipment 5 years
- Computer hardware and software 4 to 5 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is recognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if appropriate.

(l) *Impairment of non-financial assets*

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

1. ACCOUNTING POLICIES (continued)

(m) *Inventories*

Inventories are valued at the lower of costs and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(n) *Cash and short-term deposits*

Cash and short-term deposits in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated statement cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

2. OPERATING LOSS

The operating loss is stated after charging:

	2012 US$	2011 US$
Depreciation of property, plant and equipment	$ 25,570	$ 21,772

Included in cost of sales are operating lease payments of $14,557,761 (2011 - $15,249,496).

3. STAFF COSTS AND NUMBERS

Staff costs were as follows:

	2012 US$	2011 US$
Wages and salaries	3,460,129	3,242,058
Social security costs	340,399	349,709
Other pension costs	40,463	28,792
	$ 3,840,991	$ 3,620,559

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

	2012 No	2011 No
Operations and administration	38	37

4. DIRECTORS' REMUNERATION

The directors are considered the company's key management. Other than $190,164 paid to Edgley Enterprises for the services of S N Edgley as a director, none of the directors received emoluments from the company in the current or prior year.

5. AUDITORS' REMUNERATION

	2012 US$	2011 US$
Company audit	37,500	34,650
2010 under accrual	-	18,500

6. FINANCE COSTS

	2012 US$	2011 US$
Other interest	157,152	220,652
Bank charges	29,343	8,918
Foreign exchange loss	433,606	337,315
	$ 620,101	$ 566,885

7. INCOME TAX

	2012 US$	2011 US$
Analysis of tax charge in the year		
UK corporation tax on loss for the year	-	-
Deferred tax credits	(751,169)	(9,244,795)
	$ (751,169)	$ (9,244,795)

The deferred tax asset is made up as follows:

	2012 US$	2011 US$
Tax losses carried forward	$ (9,995,964)	$ (9,244,795)

7. INCOME TAX (continued)

The tax (credit)/charge for the year is lower than (2011 - higher than) the domestic tax rate of 24.5% (2011 - 26.5%). The differences are explained below:

	2012 US$	2011 US$
Loss before tax	$ (6,499,067)	$ (23,900,705)
Loss multiplied by standard rate of corporation tax in the UK of 24.5% (2011 - 26.5%)	(1,592,271)	(6,332,050)
Effects of:		
Expenses not deductible for tax purposes	3,278	4,117
Utilisation of losses	-	(2,916,862)
Effect of rate change on opening asset	739,583	-
Effect of rate change on closing asset	98,241	-
	$ (751,169)	$ (9,244,795)

Although the company has a history of losses, the directors have prepared projections underpinned by the company's principal contract which show that the realisation of the deferred income in future years will make the company profitable and it is therefore considered probable that future taxable profit will be available against which tax losses of $43,560,715 can be utilised.

The deferred tax asset is based on the tax rate substantively enacted at the balance sheet date of 23%. Subsequent to the year end, the rate has been reduced to 21%, the effect of which will be to reduce the deferred tax asset by approximately $876,000.

8. PROPERTY, PLANT AND EQUIPMENT

	2012 US$	2011 US$
Cost		
At 1 January	95,028	86,883
Additions	52,047	8,145
At 31 December	$ 147,075	$ 95,028
Depreciation		
At 1 January	47,795	26,023
Charge	25,570	21,772
At 31 December	$ 73,365	$ 47,795
Net book value		
At 31 December	$ 73,710	$ 47,233

9. INVENTORY

	2012 US$	2011 US$
Chemicals	$ 2,882,653	$ 1,248,871

10. TRADE AND OTHER RECEIVABLES

	2012 US$	2011 US$
Trade receivables	12,892,896	3,734,314
Prepayments and accrued income	12,702,986	797,600
Amounts due from group undertakings	6,175,599	8,801,819
VAT receivable	42,579	12,858
	$ 31,814,060	$ 13,346,591

Trade receivables are neither past due nor impaired.

11. CASH AND SHORT-TERM DEPOSITS

	2012 US$	2011 US$
Cash at bank and in hand	$ 26,349,386	$ 11,016,450

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fair value of cash and cash equivalents is considered to be the same as their carrying value.

12. TRADE AND OTHER PAYABLES

	2012 US$	2011 US$
Trade creditors	2,676,532	1,092,620
Accruals	7,898,495	58,553
Other taxes and social security	88,787	96,015
	$ 10,663,814	$ 1,247,188

13. INTEREST BEARING LOANS AND BORROWINGS

	2012 US$	2011 US$
Loans	$ 422,874	$ 694,734

The company's parent has a loan facility of up to $1 million to fund all or part of its deal fees and consulting fees. Each advance bears interest at 5% per annum and is repayable on demand or, if otherwise agreed, on termination of the facility in February 2019. At 31 December 2012, the company had drawn down net advances of $422,874 (2011 - $694,374) under its parent's loan facility.

Amounts due under this facility are subordinated to the term loan facility in the parent company.

14. CONTINGENT LIABILITIES

The company has provided a cross corporate guarantee in respect of its parent company's bank borrowings. Total group liabilities under this facility are $4,364,847 (2011 - $12,810,458).

15. DEFERRED REVENUE

	2012 US$	2011 US$
Deferred revenue	$ 93,509,419	$ 60,694,454

16. SHARE CAPITAL

	2012 & 2011 No
Authorised: Ordinary shares of £1 each	1,000

	2012 & 2011
Allotted and called up: 1,000 Ordinary shares of £1 each	$1,947

17. CAPITAL MANAGEMENT

The company's objectives when managing capital are to safeguard the company's ability to operate its business in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

18. RECONCILIATION OF SHARE CAPITAL AND RESERVES

	Share capital US$	Retained earnings US$	Total US$
At 1 January 2012	1,947	(27,734,383)	(27,732,436)
Loss for year	-	(5,747,898)	(5,747,898)
At 31 December 2012	$ 1,947	$ (33,482,281)	$ (33,480,334)

19. COMMITMENTS

The company entered into a commitment to lease a vessel for 46 months from Stimwell Services BV, its immediate parent company, which commenced in July 2010. The company also entered into a 3 year commitment for lease of premises in October 2009. The future minimum rental payable is as follows:

	2012 US$'000	2011 US$'000
Within one year	14,747	14,111
After one year but not more than five years	5,696	20,489
	$ 20,443	$ 34,600

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's principal financial liabilities comprise bank overdraft and trade and other payables. The main purpose of these financial liabilities is to raise finance for the company's operations. The company has trade and other receivables and cash and short-term deposits which arise directly from its operations.

The company is exposed to interest rate risk, credit risk, foreign currency risk and liquidity risk.

The company's directors oversee the management of these risks, reviewing and agreeing policies for managing each of these risks which are summarised below.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates relates primarily to the company's bank overdraft with floating interest rates.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. The other financial instruments of the company are non-interest bearing and are therefore not subject to interest rate risk.

Credit risk
The company has trade receivables of $12,892,896 and bank balances of $26,349,386.

The company has established procedures to minimise the risk of default by trade debtors including detailed credit checks undertaken before a customer is accepted. The company anticipates working with blue chip customers to minimise credit risk.

Foreign currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The company's exposure to the risk of changes in foreign exchange rates relates primarily to the company's operating activities (when revenue or expense are denominated in a different currency from the company's functional currency).

The company manages its foreign currency risk by ensuring that projected sales revenues and costs are matched as far as possible. The company's principal exposure arises from income denominated in US$ and costs denominated in UK £ and Danish Krone which are not matched.

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The following table demonstrates the sensitivity to a reasonably possible change in US$ against other rates with all other variables held constant, of the company's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Appreciation against US$ in basis points	Effect on profit before tax ($m)
2012		
Danish Krone	10	(0.2)
Norwegian Krone	10	(1.2)
UK Sterling	10	(0.4)
2011		
Danish Krone	10	(0.4)
Norwegian Krone	10	(1.1)
UK Sterling	10	(0.6)

A decrease of 10 basis points would have an equal and opposite effect.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The company believes that it has the financial support of its parent company and, in the absence of external borrowings, does not believe that it is subject to any significant liquidity risk. Further disclosures are made in Note 1.

The table below summarises the maturity profit of the company's financial liabilities at 31 December 2012 based on contractual undiscounted payments.

	On demand $	Less than 3 months $	3-12 Months $	1-5 Years $	Total $
Year ended 31 December 2012					
Interest-bearing loans and borrowings	422,874	-	-	-	422,874
Trade and other payables	-	2,914,782	7,749,032	-	10,663,814

Fair values

There are no significant differences between the book and fair values of financial assets and liabilities.

21. RELATED PARTY TRANSACTIONS

Control

Throughout the year the company was controlled by the directors.

Transactions

During the year the company made the following transactions with related parties:

Related party	Transaction/description	$	Balance at year end $
Stimwell Services BV, immediate parent company	Purchases	22,122,570	
	Management fee income	(180,193)	
	Net loan movement	(22,309,172)	6,121,814
Stimwell Holdings Limited, ultimate parent company	Loan	6,985	53,785
Fracture Technologies Limited, a company controlled by S Abi-Haidar	Loan	328,443	
	Interest	(56,583)	(422,874)
Edgley Enterprises Limited, a company controlled by S Edgley	Purchases	190,164	-

22. ULTIMATE PARENT UNDERTAKING

The company's parent undertaking is StimWell Services BV, a company incorporated in the Netherlands. The ultimate parent undertaking is StimWell Holdings Limited, a company incorporated in Cyprus controlled by S Abi-Haidar.