

Oil States MCS Limited

Report and Financial Statements

31 December 2012



Oil States MCS Limited

Registered No 01442908

Company Information

Directors

S Moses
C Moses
G Stephen

Secretaries

M A Waite
T D Lucas

Auditors

Ernst & Young LLP
Blenheim House
Fountainhall Road
Aberdeen
AB15 4DT

Bankers

Barclays Bank plc
Union Plaza
1 Union Wynd
Aberdeen
AB10 1SL

Registered Office

Bouthwood Road
Sowerby Woods
Barrow-in-Furness
Cumbria
LA14 4HB

Directors' report

Registered No 01442908

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

Results and dividends

The profit for the year, after taxation, is £1,542,000 (2011 £1,724,000) The directors recommend that no dividend be paid and the profit be transferred to reserves

Principal activity and review of the business

The Company's core business in 2012 continued to be the repair to offshore platform seawater and firewater pump caissons OSMCS offer a wide-ranging service to the platform operators' which typically includes high pressure water jet cleaning, camera survey, gauging, liner fabrication and subsequent swaging of the liner inside the caisson to re-instate its structural integrity In 2012 a total of thirteen caisson repair projects were completed

We continued to utilise the Hydra-Lok® swage connection system for securing offshore structures to their piled foundations Two installations were completed in 2012, a subsea protection structure for Total in the K4Z field and the Kneeler 'B' subsea manifold in Marathon's Alvheim field As a result of delays to structure fabrication schedules and unavailability of marine vessels the start of operations to install three subsea structures in Total's Laggan Tormore field and three jacket structures in the Zhdanov field in the Caspian Sea, offshore Turkmenistan were delayed until December 2012 Operations on both projects will continue to run through Q1/Q2 of 2013 The Latch-Lok jacking system is also supplied for levelling the structures on the Zhdanov project As part of the Lukoil Filanovsky field development OSMCS secured the order for the supply of forty-eight Hydra-Lok® pile swage sleeves with delivery starting in Q4 2012 and running through Q1 2013

Five offshore structures were removed using our abrasive cutting system which included, Statoil's TOGI subsea template and Clyde's Q8A and Q8B jackets in the North Sea and in the South East Asia region Petronas's SM4 and SM5 monopile structures Contingency cutting equipment was also supplied in conjunction with our pile swaging equipment on the Kneeler 'B' project for pile stick-up removal in the event that pile refusal occurred during driving Three projects were completed associated with platform topside repair and maintenance projects These involved new areas of business with the removal of a caisson deadweight support and the removal and recovery of corroded caissons

The company's key financial and other performance indicators during the year were

	2012	2011	Change
	£000	£000	%
Turnover	8,953	8,046	11
Operating profit	2,009	2,385	(16)
Profit after tax	1,542	1,724	(11)
Shareholders' funds	<u>9,545</u>	<u>7,985</u>	19
Current assets as percentage of current liabilities	217%	261%	(17)
Average number of employees	48	49	(2)

Turnover increased by 11% during the year primarily due to an increase in the volume of projects as market conditions in the oil services industry stabilised A general increase in caisson repairs, swaging and abrasive cutting accounted for the majority of the increase

Operating profit decreased during the year primarily due to the change in sales mix as volume increased

Profit after tax also decreased primarily due to the change in the sales volume and mix

Directors' report (continued)

Principal activity and review of the business (continued)

Shareholders' funds increased due to retained earnings and the company's current ratio (current assets as a percentage of current liabilities) decreased by 17% due to the reduction in working capital and an increase in deferred income

The average number of employees decreased during the year by 1. Again this was attributable to the change in sales volume, therefore influencing both service and manufacturing activity. The numbers are expected to remain static until market conditions show any signs of improvement.

The services provided and sold by the company have minimal environmental impact. However the Board believes that the good environmental practices adopted support the Board's strategy by enhancing the reputation of the company and the efficiency of service.

Principal risks and uncertainties

Principal risks and uncertainties facing the company are competitive, financial, price, credit, liquidity, cash flow and supply.

Competitive risks

The company is reliant on oil companies and drilling companies for its contracts, which are subject to periodic and competitive tender. Success in winning or renewal of these contracts is uncertain and based on price and past performance criteria.

Financial risks

A minimal amount of the company's sales and costs are in currencies other than sterling. The group's policy is to match the two as closely as possible leaving a balance, which is within the group's risk appetite. No hedging of currencies is undertaken.

Exposure to price, credit, liquidity, and cash flow

The company limits exposure to price sensitivity by monitoring global trends on commodity materials and negotiating accordingly with key suppliers.

Most sales are made to customers of long standing who have demonstrated their worthiness to be granted credit facilities. Potential new customers are assessed by means of a credit checking facility prior to being granted credit.

The company limits liquidity risks by managing cash generation and disposition, and applying cash collection targets. The company currently has no overdraft facility in place but has back up funding available from the Parent to manage any short-term fluctuations. In this way cash flow is managed on an ongoing basis. The company does have access to banking facilities if necessary.

Exposure to supply risks

In recent years the company had a heavy reliance on one key supplier for the supply of a key material for its service provision. The company has now taken steps to broaden its supply chain to minimise this risk.

Future developments

For 2013 the Company is scheduled to complete sixteen caisson repair projects, four (4) of which will be on the Petrobras Merluza platform located in the Santos Basin, Brazil. This is a new region of operation for OSMCS's caisson repair services and there are good prospects for further work on Petrobras platforms located in the Campos Basin. We are continuing with the process of developing a tool for mapping caisson wall thickness using a proprietary system, which will allow the Company to provide a more comprehensive inspection service and complement our existing camera inspection system.

Three Hydra-Lok® projects are scheduled for 2013, the continuation of the Laggan Tormore and Zhdanov projects from 2012 and the installation of four ice resistant platforms in the Lukoil Filanovsky field in Q2/Q3 of 2013. We continue to pursue further work in the Caspian region with Lukoil as part of the next phases of the Filanovsky field development and with BP on the Shah Deniz field, Azerbaijan.

Our abrasive water jet cutting services continue to face strong competition in the North Sea from other cutting equipment suppliers for a limited number of North Sea projects. We have enquiries for the

Directors' report (continued)

Future developments (continued)

removal of three subsea structures from the Ivanhoe Rob Roy field with Heerema Marine Contractors and two projects with Shell/WoodgroupPSN involving the removal and recovery of corrosion damaged caissons to facilitate their replacement. With Operators looking to extend platform asset life by a further ten to fifteen years we are seeing an increased number of enquires associated with these operations. We are also pursuing a number of enquiries related to the supply of contingency cutting equipment on structure installation projects for pile stuck-up removal in the event that pile refusal occurs during pile driving operations.

Going Concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, and its exposures to price, credit, liquidity, and cash flow risk are described above.

The company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Directors

The directors at 31 December 2012 and who served throughout the year were as follows:

S Moses
C Moses
G Stephen

Directors' qualifying third party indemnity provisions

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

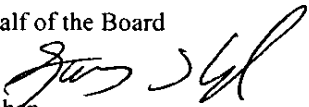
Disclosure of Information to the Auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors, and the auditors, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the Board


G Stephen
Director

28th June 2013

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 for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 members of Oil States MCS Limited

We have audited the financial statements of Oil States MCS Limited for the year ended 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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 to express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition we read all the financial and non financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatement or inconsistencies we consider the implication 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 year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report

to the members of Oil States MCS 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

Ernst & Young LLP

Moirra Ann Lawrence (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen

1 July 2013

Profit and loss account

for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Turnover	2	8,953	8,046
Cost of sales		(6,130)	(4,888)
Gross profit		2,823	3,158
Selling and marketing costs		(149)	(143)
Administrative expenses		(665)	(630)
Operating profit	3	2,009	2,385
Interest receivable	5	21	7
Interest payable	6	(1)	(2)
Profit on ordinary activities before taxation		2,029	2,390
Tax charge on profit on ordinary activities	8	(487)	(666)
Profit for the financial year	16	1,542	1,724

The company has no recognised gains or losses other than the profit of £1,542,000 attributable to shareholders in the year ended 31 December 2012 (2011 - profit of £1,724,000)


The results for the year arose wholly from continuing activities

Balance sheet

at 31 December 2012

	Notes	2012 £'000	2011 £'000
Fixed assets			
Tangible assets	9	2,930	3,418
Current assets			
Stock	10	690	170
Debtors			
amounts falling due after one year	11	2,262	2,262
amounts falling due within one year	11	3,527	1,345
Cash at bank and in hand		4,150	2,599
		<u>10,629</u>	<u>6,376</u>
Creditors , amounts falling due within one year	12	3,851	1,579
		<u>6,778</u>	<u>4,797</u>
Net current assets			
		<u>9,708</u>	<u>8,215</u>
Total assets less current liabilities			
Creditors , amounts falling due after more than one year	13	-	12
Provision for liabilities and charges			
Deferred taxation	8	163	218
		<u>9,545</u>	<u>7,985</u>
Capital and reserves			
Share capital	15	200	200
Share premium	16	637	637
Capital contribution	16	1,898	1,880
Profit and loss account	16	6,810	5,268
		<u>9,545</u>	<u>7,985</u>
Shareholders' funds			
		<u>9,545</u>	<u>7,985</u>

The financial statements were approved by the board on 28th June 2013 and were signed on its behalf by



G Stephen
Director

Notes to the financial statements

at 31 December 2012

1. Accounting policies

Basis of preparation

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

Fixed assets

Tangible fixed assets are stated at cost, net of accumulated depreciation and any provision for impairment

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land and assets under construction, at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life as follows

Buildings	25 years
Plant and equipment	3 to 10 years
Motor vehicles	4 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable

Research and development

Research and development expenditure is written off as incurred

Fixed asset investments

Fixed asset investments are shown at cost less amounts written off

Work-in-progress

Contracts are reflected in the profit and loss account by recording sales and related costs as activity progresses. Work in progress is stated in the balance sheet at cost net of amounts transferred to cost of sales, less payments on account received and receivable and after deducting any known or anticipated losses

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions

- provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the period in which timing differences reversed, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Notes to the financial statements

at 31 December 2012

1. Accounting policies (continued)

Share-based payments

Under FRS20, the company is required to estimate the fair value of share-based compensation made pursuant to awards under the company's ultimate parent (Oil States International, Inc) 2001 Equity Participation Plan (the Plan). An initial estimate of the fair value of each stock option or restricted stock award determines the amount of stock compensation expense to be recognised in the future. To estimate the value of stock option awards under the Plan, the directors have selected a "closed form" model Black Scholes as this closely matches the criteria of straightforward and consistent vesting terms, option prices and option lives. Utilising this model requires the estimation of the length of time options will remain outstanding, a risk free interest rate for the estimated period options are assumed to be outstanding, forfeiture rates, future dividends and the volatility of the stock. All of these assumptions affect the amount and timing of future share compensation expense recognition.

The directors continually monitor actual experience and change assumptions for future awards, as considered appropriate.

Revenue recognition

Revenue from the sale of products, is recognised when delivery to and acceptance by the customer has occurred, when title and all significant risks of ownership have passed to the customer, collectability is probable and pricing is fixed and determinable. Product sales terms do not include significant post delivery obligations.

Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

Cost of goods sold includes all direct material and labour costs and those costs related to contract performance, such as indirect labour, supplies, tools and repairs. Selling, general, and administrative costs are charged to expenses as incurred.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Leasing and hire purchase agreements

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

Pensions

The company provides pensions to its employees through a group personal pension plan. The amount charged to the profit and loss account is the contributions payable in the year. Any difference between contributions payable in the year and amounts paid to the pension scheme is shown as either accruals or prepayments.

Notes to the financial statements

at 31 December 2012

2. Turnover

Turnover, which is stated net of value added tax, represents the amounts invoiced to third parties

Turnover is attributable to one continuing activity, the repair to offshore platform caissons

An analysis of turnover by geographical market is given below

	2012 £'000	2011 £'000
United Kingdom	4,211	4,179
Europe	2,740	2,080
Rest of the world	2,002	1,787
	<u>8,953</u>	<u>8,046</u>

3. Operating profit

This is stated after charging/ (crediting)

	2012 £'000	2011 £'000
Depreciation		
- owned assets	621	558
- assets held under finance leases	16	16
Auditors' remuneration (note 4)	16	16
Operating lease payments - plant and machinery	14	14
- land and buildings	25	25
Research and development	17	19
Foreign exchange (gain)/loss	(9)	18
	<u></u>	<u></u>

4. Auditors' remuneration

The remuneration of the auditors is further analysed as follows

	2012 £000	2011 £000
Audit of the financial statements	16	16
	<u></u>	<u></u>

5. Interest receivable

	2012 £'000	2011 £'000
Bank	10	7
Other	11	-
	<u>21</u>	<u>7</u>

Notes to the financial statements

at 31 December 2012

6. Interest payable

	2012 £'000	2011 £'000
Other	1	2
	<u>1</u>	<u>2</u>

7. Staff costs

	2012 £'000	2011 £'000
Wages and salaries	1,948	1,803
Social security costs	229	200
Other pension costs	84	91
	<u>2,261</u>	<u>2,094</u>

Included in wages and salaries is an expense of £18,000 (2011 – £3,000) relating to share based payments

The monthly average number of persons employed during the year was as follows

	2012 No	2011 No
Administration	9	8
Production and manufacturing	38	39
Sales and marketing	1	2
	<u>48</u>	<u>49</u>

The directors of the company are also directors of the ultimate parent company or fellow subsidiaries and receive remuneration directly from these companies. The directors do not believe that it is practicable to apportion their remuneration amount between their services as directors of the company and their services as directors of the parent and fellow subsidiaries.

8. Tax

(a) Tax on profit on ordinary activities

The tax charge comprises

	2012 £'000	2011 £'000
<i>Current tax</i>		
UK Corporation tax	539	649
Adjustments in respect of previous periods	3	32
Total current tax (note 8 (b))	<u>542</u>	<u>681</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(55)	(15)
Tax on profit on ordinary activities	<u>487</u>	<u>666</u>

Notes to the financial statements

at 31 December 2012

8. Tax (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax of 24.5% (2011 – 26.5%). The differences are reconciled below

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	2,029	2,390
Profit on ordinary activities multiplied by standard rate of 24.5% (2011 – 26.5%)	497	633
Expenses not deductible for tax purposes	15	11
Decelerated / (Accelerated) capital allowances	39	(4)
Short term timing differences	1	9
Adjustments relating to prior years – Corporation Tax	3	32
Group relief	(9)	-
Other	(4)	-
Total current tax (note 8 (a))	542	681

(c) Factors that may affect future tax charges

The standard rate of Corporation Tax in the UK changes from 26% to 24% with effect from 1 April 2012 with further reductions the following 2 years to 22% in 2014. A reduction from 26% to 25% was substantively enacted on 5 July 2012 and was intended to take effect from 1 April 2012, however following announcements in the 2012 Budget on 21 March 2012, this was further reduced to 24%. At the balance sheet date, the change in the tax rate has no effect on current tax liabilities arising prior to the effective date of change. The 2012 Budget also confirmed previously announced proposed changes to capital allowances. Amongst them it was proposed that the rate of writing down allowances on the main pool would reduce from 20% to 18% from 1 April 2012.

The deferred tax asset is valued at 25% (2011 – 27%). On 21 March 2012, the British government announced its intention to reduce the UK corporate tax rate from 26% to 24% effective 1 April 2012. As of 31 December 2012 the tax rate change was not substantively enacted. The deferred tax liability would have decreased by £9,000 had the change in tax been substantively enacted as of the said date.

(d) Deferred taxation liability

Deferred taxation is included in the financial statements

	2012 £'000	2011 £'000
Capital allowances in advance of depreciation	172	218
Other timing differences	(9)	-
	163	218
		£'000
At 1 January 2012		218
Profit and loss account credit for the year		(55)
At 31 December 2012		163

Notes to the financial statements

at 31 December 2012

9. Tangible fixed assets

	<i>Freehold land and buildings £'000</i>	<i>Plant and equipment £'000</i>	<i>Motor vehicles £'000</i>	<i>Assets Under Construction £'000</i>	<i>Total £'000</i>
Cost					
At 1 January 2012	818	9,092	13	338	10,261
Additions	-	16	-	133	149
Transfer	-	420	-	(420)	-
At 31 December 2012	818	9,528	13	51	10,410
Depreciation					
At 1 January 2012	632	6,198	13	-	6,843
Provided during the year	26	611	-	-	637
At 31 December 2012	658	6,809	13	-	7,480
Net book value					
At 31 December 2012	160	2,719	-	51	2,930
At 1 January 2012	186	2,894	-	338	3,418

Included in freehold land and buildings is land valued at £25,000 (2011 - £25,000), which is not depreciated. The net book value of plant and machinery above includes an amount of £7,000 (2011 - £23,000) in respect of assets held under finance leases and hire purchase contracts.

10. Stocks

	<i>2012 £'000</i>	<i>2011 £'000</i>
Work-in-progress	690	170

11. Debtors

	<i>2012 £'000</i>	<i>2011 £'000</i>
Trade debtors	1,320	1,271
Amounts owed by group undertakings	4,262	2,262
Prepayments and accrued income	207	74
	5,789	3,607

Included within Amounts owed by group undertakings are £2,262,000 (2011- £2,262,000) which is due after more than one year.

Notes to the financial statements

at 31 December 2012

12. Creditors: amounts falling due within one year

	2012 £'000	2011 £'000
Trade creditors	1,262	261
Accruals	1,658	324
Other taxes and social security costs	276	235
Amounts owed to group undertakings	391	314
Obligations under finance leases and hire purchase contracts (note 14)	12	16
Other creditors	20	6
Corporation tax	232	423
	<u>3,851</u>	<u>1,579</u>

13. Creditors: amounts falling due after more than one year

	2012 £'000	2011 £'000
Obligations under finance leases and hire purchase contracts (note 14)	-	12
	<u>-</u>	<u>12</u>

14. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows

	2012 £'000	2011 £'000
Amounts payable		
Within one year	12	16
In two to five years	-	12
	<u>12</u>	<u>28</u>
Finance leases and hire purchase contracts are adjusted as follows		
Current obligations (note 12)	12	16
Non-current obligations (note 13)	-	12
	<u>12</u>	<u>28</u>

15. Share capital

	Number		Allotted, called up and fully paid	
	2012 '000	2011 '000	2012 £'000	2011 £'000
Ordinary shares of £1 each	200	200	200	200
	<u>200</u>	<u>200</u>	<u>200</u>	<u>200</u>

Notes to the financial statements

at 31 December 2012

16. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital £'000</i>	<i>Share premium £'000</i>	<i>Capital contribution £'000</i>	<i>Profit and loss account £'000</i>	<i>Total shareholders' funds £'000</i>
At 1 January 2011	200	637	1,877	6,736	9,450
Profit for the year	-	-	-	1,724	1,724
Share-based payment (note 17)	-	-	3	-	3
Dividend paid	-	-	-	(3,192)	(3,192)
At 31 December 2011	200	637	1,880	5,268	7,985
Profit for the year	-	-	-	1,542	1,542
Share-based payment (note 17)	-	-	18	-	18
At 31 December 2012	200	637	1,898	6,810	9,545

17. Share-based payments

Share options and restricted stock awards in the company's ultimate parent Oil States International, Inc are granted to senior executives. The exercise price of the options is equal to the closing market price of Oil States International, Inc common stock on the date of the grant, whilst restricted stock awards are granted at nil value.

Share options vest over a three-year period starting one year from the date of the grant. Options issued prior to 2004 expire ten years from the date of the grant. Options issued between 2004 and 2010 expire six years from the date of the grant. Options issued in 2011 and 2012 expire ten years from the date of the grant.

All restricted stock awards issued vest equally over 4 years.

There are no cash settlement alternatives.

The expense recognised for equity settled share-based payments in respect of employee services performed during the year to 31 December 2012 is £18,000 (2011 £3,000).

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	<i>2012 No</i>	<i>2012 WAEP</i>	<i>2011 No</i>	<i>2011 WAEP</i>
Outstanding as at 1 January	3,500	15.94	3,500	15.94
Granted	600	54.01	-	-
Exercised	(3,500)	(15.94)	-	-
Outstanding at 31 December	600	54.01	3,500	15.94
Exercisable at 31 December	-	-	3,250	15.73

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at 31 December 2012

17. Share-based payments (continued)

For the share options outstanding as at 31 December 2012, the weighted average remaining contractual life is 9.13 years (2011: 1.42 years)

The weighted average fair value of options granted during the year was £54.01 (2011: £Nil). The exercise prices for options outstanding at the end of the year was £54.01.

The fair value of equity-settled share options granted is estimated as at the date of grant using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model for the years ended 31 December 2012:

	2012	2011
Risk free interest rate	0.62%	1.68%
Expected dividend	0	0
Expected option life (years)	4.08	4.08
Forfeiture rate	8.0%	8.0%
Expected volatility	57.0%	55.0%

The Black-Scholes model is based on the option plan of Oil States International, Inc. The use of the Black-Scholes model requires the use of extensive actual employee exercise activity data and the use of a number of complex assumptions including expected volatility, risk-free interest rate, expected dividends and expected term.

The expected market price volatility of the common stock is based on an estimate made by Oil States International, Inc. that considers the historical and implied volatility of the common stock as well as a peer group of companies over a time period equal to the expected term of the option.

The risk-free interest rate assumption is based upon observed interest rates appropriate for the term of our employee stock options. The dividend yield assumption is based on the history and expectation of dividend payouts.

18. Pension commitments

The pension charge for the year was £87,000 (2011: £91,000). The unpaid contributions outstanding at the year end included in accruals (note 12) are £38,000 (2011: £41,000).

19. Other financial commitments

Operating leases

At 31 December 2012 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>		<i>Plant and machinery</i>	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Operating leases which expire				
Within one year	-	-	1	1
In two to five years	27	25	8	9

Capital expenditure commitments

At the end of the year, there were capital commitments contracted for but not provided in the financial statements of £319,000 and authorised by the board of directors but not contracted for £nil (2011: capital commitments contracted of £27,000, but not contracted for £14,000).

Notes to the financial statements

at 31 December 2012

20. Contingent liabilities

The company's bankers have given guarantees in favour of certain customers for £2,176,000

21. Related party transactions

Under Financial Reporting Standard No 8 the company is exempt from the requirement to disclose related party transactions with other wholly owned members of the Oil States Industries, Inc group. There are no other related party transactions which would not be within FRS No 8 exemption.

22. Cash flow statement

The directors have taken advantage of the exemption available from preparing a statement of cash flows under FRS 1 since a group statement has been presented for Oil States International, Inc, the ultimate parent undertaking.

23. Ultimate parent undertaking

The company's immediate parent undertaking is Oil States Industries (UK) Limited.

In the directors' opinion, the company's ultimate parent undertaking and controlling party is Oil States International, Inc, which is incorporated in United States of America. Copies of its group financial statements, which include the company, are available from 333 Clay Street, Suite 3460, Houston, TX 77002, USA.