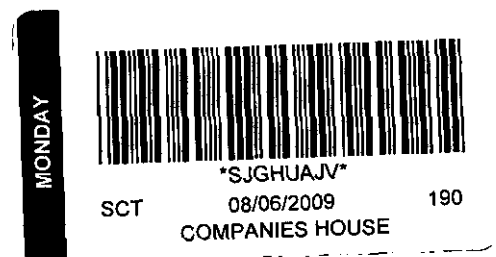


COMPANY REGISTRATION NUMBER SC 211677

MAXWELL DOWNHOLE TECHNOLOGY LIMITED
FINANCIAL STATEMENTS
31 MARCH 2008



ERNST & YOUNG LLP
Chartered Accountants Chartered Registered Auditors
Blenheim House
Fountainhall Road
Aberdeen
AB15 4DT

MAXWELL DOWNHOLE TECHNOLOGY LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2008

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MAXWELL DOWNHOLE TECHNOLOGY LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 MARCH 2008

The directors present their report and the financial statements of the company for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year under review was that of Engineering design and manufacture.

There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £631,601. The directors have not recommended a dividend.

FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The company manages competitive trading risk by providing added value services to its customers and by maintaining strong relationships with them. "Quality at work" is the corporate policy fundamental to the company's ethos. The company's quality assurance engineering processes are rigorously applied.

The company's transactions are predominately in Sterling but minimal transactions (sales and purchases) are in other currencies and the company is therefore exposed to the movement in foreign exchange rates.

The company monitors its risk to a shortage of funds using rolling forecasts.

The company's objective is to maintain a balance between continuity of funding and flexibility through the use of parent company loans, finance leases and hire purchase contracts. The parent company ensures that working capital requirements are met.

Interest on group loans are charged at 1.5% above base rate and the company is exposed to interest rate risk to the extent of group loans at the balance sheet date.

DIRECTORS

The directors who served the company during the year were as follows:

M Leys
P Felter
S Desmette
S Fraser
J G Burgess
W Brown-Kerr

MAXWELL DOWNHOLE TECHNOLOGY LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 MARCH 2008

M Leys was appointed as a director on 21 August 2007.

P Felter retired as a director on 21 August 2007.

C J Malcolmson was appointed as a director on 8 October 2008.

C R Talbutt was appointed as a director on 8 October 2008.

M Leys retired as a director on 16 July 2008.

S Desmette retired as a director on 26 November 2008.

S Fraser retired as a director on 16 July 2008.

POLICY ON THE PAYMENT OF CREDITORS

The company's policy is to agree terms or transactions, including payment terms, with suppliers and provided the suppliers perform in accordance with agreed terms, it is the Group's normal practice that payment is made accordingly.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual 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). The financial statements are required by law to 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 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 proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

MAXWELL DOWNHOLE TECHNOLOGY LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 MARCH 2008

AUDITOR

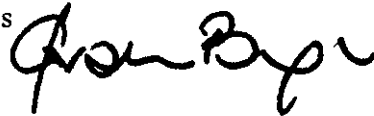
A resolution to re-appoint Ernst & Young LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:

Signed on behalf of the directors

J G Burgess

Director

A handwritten signature in black ink, appearing to read 'J G Burgess', written over the printed name and title.

Approved by the directors on 4 June 2009

MAXWELL DOWNHOLE TECHNOLOGY LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
MAXWELL DOWNHOLE TECHNOLOGY LIMITED
YEAR ENDED 31 MARCH 2008

We have audited the financial statements of Maxwell Downhole Technology Limited for the year ended 31 March 2008 which comprise the Profit and Loss Account, Balance Sheet and the related notes. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

BASIS OF AUDIT OPINION

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

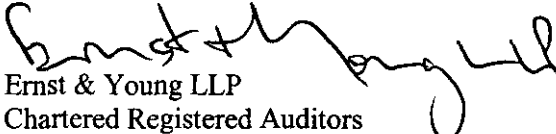
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

MAXWELL DOWNHOLE TECHNOLOGY LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
MAXWELL DOWNHOLE TECHNOLOGY LIMITED *(continued)*
YEAR ENDED 31 MARCH 2008

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.


Ernst & Young LLP
Chartered Registered Auditors

4 June 2009

MAXWELL DOWNHOLE TECHNOLOGY LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 MARCH 2008

| | | Year to 31 Mar 08 £ | Period from 1 Jan 06 to 31 Mar 07 £ |
|---|-------------------|---------------------------|--|
| TURNOVER | Note 2 | 775,595 | 1,514,547 |
| Cost of sales | | <u>292,273</u> | <u>609,934</u> |
| GROSS PROFIT | | 483,322 | 904,613 |
| Administrative expenses | | <u>741,681</u> | <u>768,855</u> |
| OPERATING (LOSS)/PROFIT | 3 | (258,359) | 135,758 |
| Interest receivable | | <u>5,721</u> | <u>6,509</u> |
| Interest payable and similar charges | 6 | (103,871) | (81,386) |
| (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | (356,509) | 60,881 |
| Tax on (loss)/profit on ordinary activities | 7 | 275,092 | (274,866) |
| (LOSS)/PROFIT FOR THE FINANCIAL YEAR | | <u>(631,601)</u> | <u>335,747</u> |

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 8 to 16 form part of these financial statements.

MAXWELL DOWNHOLE TECHNOLOGY LIMITED

BALANCE SHEET

31 MARCH 2008

| | Note | 2008 £ | 2007 £ |
|---|------|--------------------|------------------|
| FIXED ASSETS | | | |
| Intangible assets | 8 | 199,899 | 146,108 |
| Tangible assets | 9 | 100,903 | 7,596 |
| | | <u>300,802</u> | <u>153,704</u> |
| CURRENT ASSETS | | | |
| Stocks | 10 | 370,892 | 261,781 |
| Debtors | 11 | 399,359 | 631,562 |
| Cash at bank | | 200 | 236,555 |
| | | <u>770,451</u> | <u>1,129,898</u> |
| CREDITORS: Amounts falling due within one year | 13 | <u>2,137,527</u> | <u>1,718,275</u> |
| NET CURRENT LIABILITIES | | <u>(1,367,076)</u> | <u>(588,377)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>(1,066,274)</u> | <u>(434,673)</u> |
| CAPITAL AND RESERVES | | | |
| Called-up equity share capital | 16 | 10,000 | 10,000 |
| Profit and loss account | 17 | (1,076,274) | (444,673) |
| SHAREHOLDERS' DEFICIT | 18 | <u>(1,066,274)</u> | <u>(434,673)</u> |

These financial statements were approved by the directors and authorised for issue on 4 June 2009, and are signed on their behalf by:


JG BURGESS

MAXWELL DOWNHOLE TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2008

1. ACCOUNTING POLICIES

Basis of accounting

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

The Directors have prepared the financial statements on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future.

The centralised group finance function and the cross guarantees which exist within Sovereign Oilfield Group's (the Group's) debt facilities means that the going concern assumption for the Company is inextricably linked to that of the Group. The Group accounts for the year ending 31 March 2008 were approved on 14 May 2009, and have been prepared on the going concern basis.

The Group has issued a letter of support confirming they will provide sufficient funds to allow the company to continue as a going concern for the foreseeable future and until at least 30 June 2010. On the basis of the above the directors believe that it is appropriate to prepare the financial statements on the going concern basis. Full details of the Group's financial position are available in the Group accounts.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Research and development expenditure

Research and development expenditure is written off in profit and loss account in the year in which it incurred except development expenditure incurred on individual projects. Where the recoverability of this development expenditure can be foreseen with reasonable assurance it is capitalised and amortised in line with sales from the related project.

Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | |
|--------------------------|----------------|
| Research and development | - over 3 years |
| Patents | - over 3 years |

Fixed assets

All fixed assets are initially recorded at cost.

MAXWELL DOWNHOLE TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2008

1. ACCOUNTING POLICIES *(continued)*

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | |
|---------------------|---------------|
| Plant & Machinery | - 25% on cost |
| Fixtures & Fittings | - 25% on cost |
| ISUB Rentals | - 33% on cost |
| Computer Equipment | - 25% on cost |
| Rental assets | - 33% on cost |

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Pension costs

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

Deferred taxation

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

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

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 an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

MAXWELL DOWNHOLE TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2008

1. ACCOUNTING POLICIES *(continued)*

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

2. TURNOVER

The turnover and loss before tax are attributable to the one principal activity of the company. An analysis of turnover is given below:

| | Year to 31 Mar 08 £ | Period from 1 Jan 06 to 31 Mar 07 £ |
|---------------|---------------------------|--|
| UK and Europe | 239,412 | 177,656 |
| Rest of World | 536,183 | 1,336,891 |
| | <u>775,595</u> | <u>1,514,547</u> |

3. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging:

| | Year to 31 Mar 08 £ | Period from 1 Jan 06 to 31 Mar 07 £ |
|--|---------------------------|--|
| Amortisation | 26,459 | — |
| Depreciation of owned fixed assets | 18,886 | 2,655 |
| Net loss on foreign currency translation | 3,817 | 7,644 |
| Auditors' remuneration | <u>11,350</u> | <u>8,000</u> |
| | 2008 | 2007 |
| | £ | £ |
| Auditors' remuneration - audit of the financial statements | <u>11,350</u> | <u>8,000</u> |

MAXWELL DOWNHOLE TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2008

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

| | Year to 31 Mar 08 | Period from 1 Jan 06 to 31 Mar 07 |
|--|----------------------|---|
| | No | No |
| Number of production and technical staff | 4 | 3 |
| Number of administrative staff | 1 | — |
| Number of management staff | 2 | 2 |
| | <u>7</u> | <u>5</u> |

The aggregate payroll costs of the above were:

| | Year to 31 Mar 08 | Period from 1 Jan 06 to 31 Mar 07 |
|-----------------------|----------------------|---|
| | £ | £ |
| Wages and salaries | 305,131 | 527,156 |
| Social security costs | 41,466 | 56,727 |
| Other pension costs | 9,681 | 21,910 |
| | <u>356,278</u> | <u>605,793</u> |

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

| | Year to 31 Mar 08 | Period from 1 Jan 06 to 31 Mar 07 |
|--|----------------------|---|
| | £ | £ |
| Emoluments receivable | 178,274 | 422,240 |
| Value of company pension contributions to money purchase schemes | 8,625 | 21,910 |
| | <u>186,899</u> | <u>444,150</u> |

Emoluments of highest paid director:

| | Year to 31 Mar 08 | Period from 1 Jan 06 to 31 Mar 07 |
|--|----------------------|---|
| | £ | £ |
| Total emoluments (excluding pension contributions) | <u>113,507</u> | <u>287,406</u> |

MAXWELL DOWNHOLE TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2008

6. INTEREST PAYABLE AND SIMILAR CHARGES

| | Year to 31 Mar 08 £ | Period from 1 Jan 06 to 31 Mar 07 £ |
|------------------------------------|---------------------------|--|
| Interest payable on bank borrowing | - | 126 |
| Other similar charges payable | 103,871 | 81,260 |
| | <u>103,871</u> | <u>81,386</u> |

7. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

| | Year to 31 Mar 08 £ | Period from 1 Jan 06 to 31 Mar 07 £ |
|--|---------------------------|--|
| Current tax: | | |
| UK Corporation tax based on the results for the year at 30% (2007 - 30%) | - | 226 |
| Total current tax | - | 226 |
| Deferred tax: | | |
| Origination and reversal of timing differences | | |
| Losses | 275,092 | (275,092) |
| Tax on (loss)/profit on ordinary activities | <u>275,092</u> | <u>(274,866)</u> |

(b) Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2007 - 30%).

| | Year to 31 Mar 08 £ | Period from 1 Jan 06 to 31 Mar 07 £ |
|--|---------------------------|--|
| (Loss)/profit on ordinary activities before taxation | <u>(356,509)</u> | <u>60,881</u> |
| (Loss)/profit on ordinary activities by rate of tax | (106,953) | 18,264 |
| Expenses not deductible for tax purposes | 1,232 | - |
| Group loss relief | 101,012 | - |
| Marginal relief | - | (131) |
| Depreciation in excess of capital allowances | 4,709 | 947 |
| Relief for losses arising in previous years | - | (18,854) |
| Total current tax (note 7(a)) | <u>-</u> | <u>226</u> |

MAXWELL DOWNHOLE TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2008

8. INTANGIBLE FIXED ASSETS

| | Research and development £ | Patents £ | Total £ |
|-------------------------|-------------------------------------|---------------|----------------|
| COST | | | |
| At 1 April 2007 | 139,970 | 6,138 | 146,108 |
| Additions | 72,158 | 8,092 | 80,250 |
| At 31 March 2008 | <u>212,128</u> | <u>14,230</u> | <u>226,358</u> |
| AMORTISATION | | | |
| Charge for the year | 22,844 | 3,615 | 26,459 |
| At 31 March 2008 | <u>22,844</u> | <u>3,615</u> | <u>26,459</u> |
| NET BOOK VALUE | | | |
| At 31 March 2008 | <u>189,284</u> | <u>10,615</u> | <u>199,899</u> |
| At 31 March 2007 | <u>139,970</u> | <u>6,138</u> | <u>146,108</u> |

9. TANGIBLE FIXED ASSETS

| | Plant & Machinery £ | Fixtures & Fittings £ | I SUB Rentals £ | Computer Equipment £ | Rental assets £ | Total £ |
|------------------------|---------------------------|-----------------------------|-----------------------|----------------------------|-----------------------|----------------|
| COST | | | | | | |
| At 1 Apr 2007 | 4,751 | 1,572 | – | 10,015 | – | 16,338 |
| Additions | 10,720 | 5,712 | 46,560 | 9,277 | 39,924 | 112,193 |
| At 31 Mar 2008 | <u>15,471</u> | <u>7,284</u> | <u>46,560</u> | <u>19,292</u> | <u>39,924</u> | <u>128,531</u> |
| DEPRECIATION | | | | | | |
| At 1 Apr 2007 | 4,751 | 456 | – | 3,535 | – | 8,742 |
| Charge for the year | 223 | 1,628 | 6,049 | 4,332 | 6,654 | 18,886 |
| At 31 Mar 2008 | <u>4,974</u> | <u>2,084</u> | <u>6,049</u> | <u>7,867</u> | <u>6,654</u> | <u>27,628</u> |
| NET BOOK VALUE | | | | | | |
| At 31 Mar 2008 | <u>10,497</u> | <u>5,200</u> | <u>40,511</u> | <u>11,425</u> | <u>33,270</u> | <u>100,903</u> |
| At 31 Mar 2007 | <u>–</u> | <u>1,116</u> | <u>–</u> | <u>6,480</u> | <u>–</u> | <u>7,596</u> |

10. STOCKS

| | 2008 £ | 2007 £ |
|------------------|----------------|----------------|
| Raw materials | 240,604 | 159,905 |
| Work in progress | 130,288 | 101,876 |
| | <u>370,892</u> | <u>261,781</u> |

MAXWELL DOWNHOLE TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2008

11. DEBTORS

| | 2008 | 2007 |
|------------------------------------|----------------|----------------|
| | £ | £ |
| Trade debtors | 156,497 | 318,601 |
| Amounts owed by group undertakings | 173,101 | — |
| VAT recoverable | 35,328 | 20,389 |
| Other debtors | — | 13,772 |
| Prepayments and accrued income | 34,433 | 3,708 |
| Deferred taxation (note 12) | — | 275,092 |
| | <u>399,359</u> | <u>631,562</u> |

12. DEFERRED TAXATION

The deferred tax included in the Balance sheet is as follows:

| | Year to 31 Mar 08 | Period from 1 Jan 06 to 31 Mar 07 |
|-------------------------------|----------------------|---|
| | £ | £ |
| Included in debtors (note 11) | — | <u>275,092</u> |

The movement in the deferred taxation account during the year was:

| | Year to 31 Mar 08 | Period from 1 Jan 06 to 31 Mar 07 |
|--|----------------------|---|
| | £ | £ |
| Balance brought forward | 275,092 | — |
| Profit and loss account movement arising during the year | (275,092) | 275,092 |
| Balance carried forward | <u>—</u> | <u>275,092</u> |

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

| | 2008 | 2007 |
|----------------------|----------|----------------|
| | £ | £ |
| Tax losses available | — | 275,092 |
| | <u>—</u> | <u>275,092</u> |

MAXWELL DOWNHOLE TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2008

13. CREDITORS: Amounts falling due within one year

| | 2008 £ | 2007 £ |
|---|------------------|------------------|
| Trade creditors | 165,862 | 116,489 |
| Amounts owed to group undertakings | 1,870,922 | 1,234,152 |
| Other creditors including taxation and social security: | | |
| Corporation tax | 226 | 226 |
| PAYE and social security | 40,559 | 43,422 |
| Other creditors | 817 | 4,070 |
| | <u>2,078,386</u> | <u>1,398,359</u> |
| Accruals and deferred income | 59,141 | 319,916 |
| | <u>2,137,527</u> | <u>1,718,275</u> |

14. CONTINGENCIES

Sovereign Oilfield Group's (the Group's) bank loans and overdrafts are secured by a floating charge over certain of the group's assets and pledges over the shares of the parent company and its subsidiaries, including those of Maxwell Downhole Technology Limited.

15. RELATED PARTY TRANSACTIONS

The company is a 100% subsidiary and is included in the consolidated financial statements of Sovereign Oilfield Group Plc. The company is therefore exempt from disclosing transactions with other group companies or with related parties in which the group holds an investment.

16. SHARE CAPITAL

Authorised share capital:

| | 2008 £ | 2007 £ |
|------------------------------------|----------------|----------------|
| 100,000 Ordinary shares of £1 each | <u>100,000</u> | <u>100,000</u> |

Allotted, called up and fully paid:

| | 2008 | | 2007 | |
|----------------------------|---------------|---------------|---------------|---------------|
| | No | £ | No | £ |
| Ordinary shares of £1 each | <u>10,000</u> | <u>10,000</u> | <u>10,000</u> | <u>10,000</u> |

MAXWELL DOWNHOLE TECHNOLOGY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2008

17. PROFIT AND LOSS ACCOUNT

| | Year to 31 Mar 08 £ | Period from 1 Jan 06 to 31 Mar 07 £ |
|--------------------------------------|---------------------------|--|
| Balance brought forward | (444,673) | (780,420) |
| (Loss)/profit for the financial year | (631,601) | 335,747 |
| Balance carried forward | <u>(1,076,274)</u> | <u>(444,673)</u> |

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2008 £ | 2007 £ |
|--------------------------------------|--------------------|------------------|
| (Loss)/Profit for the financial year | (631,601) | 335,747 |
| Opening shareholders' deficit | <u>(434,673)</u> | <u>(770,420)</u> |
| Closing shareholders' deficit | <u>(1,066,274)</u> | <u>(434,673)</u> |

19. POST BALANCE SHEET EVENTS

The ultimate parent company, Sovereign Oilfield Group Plc (the Group), has recently agreed an amendment of terms in respect of debt facilities in place at 31 March 2008. Further information can be found in the Group's Accounts.

20. ULTIMATE PARENT COMPANY

The company's immediate parent company is Sovereign Oilfield Services Limited, a company registered in the United Kingdom. Sovereign Oilfield Group PLC, is the ultimate parent company of the group. A copy of the group financial statements, which include the company, are available from 12-16 Albyn Place, Aberdeen AB10 1PS.