

CHAMPION TECHNOLOGIES LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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CHAMPION TECHNOLOGIES LIMITED

COMPANY INFORMATION

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DIRECTORS

H T R Montgomerie
S MacDonald

COMPANY SECRETARY

Paul & Williamsons LLP

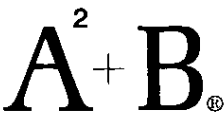
COMPANY NUMBER

SC224908

REGISTERED OFFICE

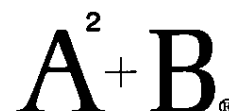
W. Sam White Building,
Peterseat Drive, Altens
Aberdeen

CHAMPION TECHNOLOGIES LIMITED
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CHAMPION TECHNOLOGIES LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010



The directors present their report and the financial statements for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The group's principal activity during the year was the supply of performance chemicals and technical services to the offshore oil and gas industry.

BUSINESS REVIEW

The directors are satisfied with the results for the year which saw an increase in turnover as shown in the profit and loss account.

The directors remain confident with regards to the future and this is underpinned by contracts in place. The company and the directors remain committed to the ongoing development of all employees.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £5,400,847 (2009 - £4,181,547).

A dividend of £2,232,920 (2009 - £nil) was paid during the year.

DIRECTORS

The directors who served during the year were:

H T R Montgomerie
S MacDonald

PRINCIPAL RISKS AND UNCERTAINTIES

Risk 1

The management of the business and the performance of the company are subject to a number of risks. The key business risks and uncertainties affecting the company are considered to relate to activity levels within the oil and gas sector, competition and employee retention.

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

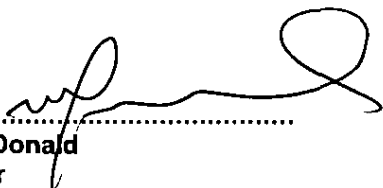
CHAMPION TECHNOLOGIES LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010

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AUDITORS

The auditors, Anderson Anderson & Brown LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

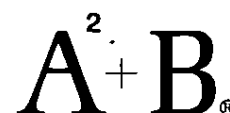


.....
S MacDonald
Director

Date: 3/8/11

CHAMPION TECHNOLOGIES LIMITED

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2010**



The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CHAMPION TECHNOLOGIES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CHAMPION TECHNOLOGIES LIMITED



We have audited the financial statements of Champion Technologies Limited for the year ended 31 December 2010, set out on pages 6 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

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 2010 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.

CHAMPION TECHNOLOGIES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
CHAMPION TECHNOLOGIES LIMITED

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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 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

James Pirrie (Senior statutory auditor)

for and on behalf of

Anderson Anderson & Brown LLP

Statutory Auditors

9 Queens Road

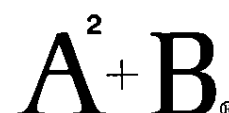
Aberdeen

AB15 4YL

Date: *3rd August 2011*

CHAMPION TECHNOLOGIES LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010**



	Note	2010 £	2009 £
TURNOVER	1	24,246,556	20,924,385
Cost of sales		<u>(14,492,559)</u>	<u>(11,951,166)</u>
GROSS PROFIT		9,753,997	8,973,219
Administrative expenses		<u>(8,063,536)</u>	<u>(7,328,616)</u>
OPERATING PROFIT	2	1,690,461	1,644,603
Income from shares in group undertakings		4,241,653	3,044,569
Interest receivable and similar income		-	1,137
Interest payable and similar charges	5	<u>(6,561)</u>	<u>(5,376)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,925,553	4,684,933
Tax on profit on ordinary activities	6	<u>(524,706)</u>	<u>(503,386)</u>
PROFIT FOR THE FINANCIAL YEAR	14	<u><u>5,400,847</u></u>	<u><u>4,181,547</u></u>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2010 or 2009 other than those included in the Profit and loss account.

The notes on pages 8 to 17 form part of these financial statements.


CHAMPION TECHNOLOGIES LIMITED
REGISTERED NUMBER: SC224908

BALANCE SHEET
AS AT 31 DECEMBER 2010

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	Note	£	2010 £	£	2009 £
FIXED ASSETS					
Tangible assets	7		8,271,512		8,489,060
Investments	8		618,189		618,189
			<u>8,889,701</u>		<u>9,107,249</u>
CURRENT ASSETS					
Stocks	9	3,803,666		1,692,438	
Debtors	10	12,113,057		4,741,800	
Cash at bank		1,318,503		3,308,412	
		<u>17,235,226</u>		<u>9,742,650</u>	
CREDITORS: amounts falling due within one year	11	(6,543,538)		(2,640,331)	
NET CURRENT ASSETS			<u>10,691,688</u>		<u>7,102,319</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>19,581,389</u>		<u>16,209,568</u>
PROVISIONS FOR LIABILITIES					
Deferred tax	12		(330,000)		(126,106)
NET ASSETS			<u>19,251,389</u>		<u>16,083,462</u>
CAPITAL AND RESERVES					
Called up share capital	13		2,000,000		2,000,000
Profit and loss account	14		17,251,389		14,083,462
SHAREHOLDERS' FUNDS	15		<u>19,251,389</u>		<u>16,083,462</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


.....
S MacDonald
Director

Date: 3/8/11

The notes on pages 8 to 17 form part of these financial statements.

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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

1.2 Consolidation

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of Section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.3 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.4 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Land and buildings	-	5% straight line
Furniture, fittings and equipment	-	20% straight line
Plant and machinery	-	20% straight line

1.6 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

1.7 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.8 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

1. ACCOUNTING POLICIES (continued)**1.9 Research and development**

Research and development expenditure is written off in the year in which it is incurred.

1.10 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

1.11 Taxation

Current tax, including UK corporation tax and foreign tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have been originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in the period which are different from those recognised in the accounts. Deferred tax has been measured on a non-discounted basis.

2. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2010 £	2009 £
Depreciation of tangible fixed assets:		
- owned by the company	898,528	605,947
Auditors' remuneration	15,000	15,000
Auditors' remuneration - non-audit	28,000	20,000
Operating lease rentals:		
other operating leases	8,728	-
land and buildings	62,664	119,253
Difference on foreign exchange	(5,183)	94,264
Research and development expenditure written off	25,875	31,500

3. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	2010 £	2009 £
Wages and salaries	6,366,728	5,335,430
Social security costs	679,922	525,615
Other pension costs	280,157	387,998
	<u>7,326,807</u>	<u>6,249,043</u>

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

	2010 No.	2009 No.
Technical	44	25
Sales and distribution	36	24
Office and management	31	51
Yard Personell	10	11
	<u>121</u>	<u>111</u>

4. DIRECTORS' REMUNERATION

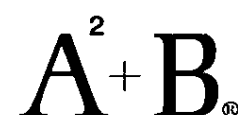
	2010 £	2009 £
Emoluments	<u>307,121</u>	<u>420,088</u>
Company pension contributions to defined contribution pension schemes	<u>29,367</u>	<u>82,284</u>

During the year retirement benefits were accruing to 2 directors (2009 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £180,208 (2009 - £145,645).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £18,195 (2009 - £67,630).

CHAMPION TECHNOLOGIES LIMITED
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2010



5. INTEREST PAYABLE

	2010 £	2009 £
On bank loans and overdrafts	6,561	5,376

6. TAXATION

	2010 £	2009 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	566,000	396,260
Adjustments in respect of prior periods	(245,880)	1,020
Total current tax	320,120	397,280
Deferred tax		
Origination and reversal of timing differences	(20,000)	104,698
Adjustment relating to prior year	224,586	1,408
Total deferred tax (see note 12)	204,586	106,106
Tax on profit on ordinary activities	524,706	503,386

6. TAXATION (continued)

Factors affecting tax charge for the year

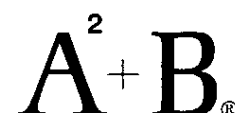
The tax assessed for the year is lower than (2009 - lower than) the standard rate of corporation tax in the UK of 28% (2009 - 28%). The differences are explained below:

	2010 £	2009 £
Profit on ordinary activities before tax	5,925,553	4,684,933
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 - 28%)	1,659,155	1,311,781
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	-	23,788
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	90,487	-
Depreciation for year in excess of capital allowances	7,883	-
Capital allowances for the year in excess of depreciation	-	(81,897)
Non-trade loan relationship credits	-	(318)
Other timing differences	-	(4,615)
Adjustments to tax charge in respect of prior periods	(245,458)	1,020
Deduction for research and development expenditure	(15,284)	-
Provision for foreign tax	11,000	-
Double taxation relief	(1,187,663)	(852,479)
Current tax charge for the year (see note above)	320,120	397,280

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

CHAMPION TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010



7. TANGIBLE FIXED ASSETS

	Freehold property £	Plant & machinery £	Furniture, fittings and equipment £	Total £
Cost				
At 1 January 2010	8,293,123	3,092,856	941,666	12,327,645
Additions	312,067	110,026	258,887	680,980
Disposals	-	-	(57,621)	(57,621)
Transfer between classes	(604,728)	577,593	27,135	-
At 31 December 2010	<u>8,000,462</u>	<u>3,780,475</u>	<u>1,170,067</u>	<u>12,951,004</u>
Depreciation				
At 1 January 2010	726,687	2,347,402	764,496	3,838,585
Charge for the year	334,410	422,578	141,540	898,528
On disposals	-	-	(57,621)	(57,621)
At 31 December 2010	<u>1,061,097</u>	<u>2,769,980</u>	<u>848,415</u>	<u>4,679,492</u>
Net book value				
At 31 December 2010	<u>6,939,365</u>	<u>1,010,495</u>	<u>321,652</u>	<u>8,271,512</u>
At 31 December 2009	<u>7,566,436</u>	<u>745,454</u>	<u>177,170</u>	<u>8,489,060</u>

8. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2010 and 31 December 2010	<u>618,189</u>

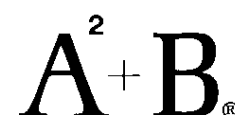
Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	2010 £	2009 £
Champion Technologies AS	Ordinary	100 %	<u>618,189</u>	<u>618,189</u>

CHAMPION TECHNOLOGIES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**



8. FIXED ASSET INVESTMENTS (continued)

The aggregate of the share capital and reserves as at 31 December 2010 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves NOK	Profit/(loss) NOK
Champion Technologies AS	33,935,830	25,850,348

9. STOCKS

	2010 £	2009 £
Raw materials and consumables	3,803,666	1,692,438

10. DEBTORS

	2010 £	2009 £
Trade debtors	6,132,959	3,282,257
Amounts owed by group undertakings	4,528,750	1,019,436
Other debtors	510,371	-
Prepayments and accrued income	800,968	440,107
Tax recoverable	140,009	-
	12,113,057	4,741,800

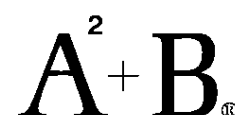
11. CREDITORS:

Amounts falling due within one year

	2010 £	2009 £
Bank loans and overdrafts	-	35,067
Trade creditors	1,830,513	849,881
Amounts owed to group undertakings	2,188,799	59,326
Corporation tax	-	76,012
Social security and other taxes	663,552	401,500
Other creditors	-	62,095
Accruals and deferred income	1,860,674	1,156,450
	6,543,538	2,640,331

The company's bank overdraft facility is secured by standard securities over property held at Altens, Aberdeen together with a unlimited cross guarantee given by Champion Technologies BV.

CHAMPION TECHNOLOGIES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010



12. DEFERRED TAXATION

	2010 £	2009 £
At beginning of year	126,106	20,000
Charge for year	203,894	106,106
At end of year	<u>330,000</u>	<u>126,106</u>

The provision for deferred taxation is made up as follows:

	2010 £	2009 £
Accelerated capital allowances	<u>330,000</u>	<u>126,106</u>

13. SHARE CAPITAL

	2010 £	2009 £
Authorised, allotted, called up and fully paid		
2,000,000 Ordinary shares of £1 each	<u>2,000,000</u>	<u>2,000,000</u>

14. RESERVES

	Profit and loss account £
At 1 January 2010	14,083,462
Profit for the year	5,400,847
Dividends: Equity capital	(2,232,920)
At 31 December 2010	<u>17,251,389</u>

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2010 £	2009 £
Opening shareholders' funds	16,083,462	11,901,915
Profit for the year	5,400,847	4,181,547
Dividends (Note 16)	(2,232,920)	-
Closing shareholders' funds	<u>19,251,389</u>	<u>16,083,462</u>

16. DIVIDENDS

	2010 £	2009 £
Dividends paid on equity capital	<u>2,232,920</u>	<u>-</u>

17. CONTINGENT LIABILITIES

The company has given guarantees of £2,306,812 (2009 - £3,779,613) through the normal course of trade.

18. OPERATING LEASE COMMITMENTS

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			
	2010	2009	2010	Other 2009
	£	£	£	£
Expiry date:				
Within 1 year	72,966	20,180	-	-
Between 2 and 5 years	<u>-</u>	<u>30,740</u>	<u>8,728</u>	<u>8,728</u>

19. RELATED PARTY TRANSACTIONS

Control

Throughout the year the company was controlled by Champion Technologies BV, its immediate parent undertaking.

Transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 for disclosing transactions within the group on the basis that the company is a 100% subsidiary and its results are included in the consolidated results of the group.

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The share capital of the company is owned by Champion Technologies BV. The ultimate holding company and the ultimate controlling party is Permian Mud Services Inc., which is incorporated in the United States of America.

The largest group in which the results of the company are consolidated is that headed by the ultimate holding company. The smallest group in which the results of the company are consolidated is Champion Technologies BV whose principal place of business is Delden, Netherlands. Copies of the accounts of Champion Technologies BV can be obtained from Champion Technologies Limited, Sam White Building, Peterseat Drive, Altens, Aberdeen.

As a subsidiary undertaking of Champion Technologies BV, the company has taken advantage of the exemption in FRS8 "Related party disclosures" from disclosing transactions with other members of the group headed by Champion Technologies BV.