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CHAMPION TECHNOLOGIES LIMITED

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

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CHAMPION TECHNOLOGIES LIMITED



COMPANY INFORMATION

DIRECTORS

H T R Montgomerie
S MacDonald (resigned 15 February 2013)
B A Christie (appointed 1 February 2012 & resigned 4 June 2012)

COMPANY SECRETARY

Paull & Williamsons LLP

REGISTERED NUMBER

SC224908

REGISTERED OFFICE

W. Sam White Building,
Peterseat Drive, Altens
Aberdeen
AB12 3HT

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**DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012**

The director presents his report and the financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The company operates in the Oil & Gas Sector in the United Kingdom and Internationally. Its main activities are the provision of speciality chemicals and related services offering innovative and environmentally acceptable solutions to assist our customers in increased production from their assets.

BUSINESS REVIEW

The company continues to have a strong position in the North Sea with revenues and margins in this market increasing over last year. Our other markets in North Africa and Caspian where there are significant growth opportunities are in the start up phase. In Caspian business we won in late 2011 has seen customer operational delays and this has resulted in increased administrative expenses and Inventory levels. In North Africa where there was some political unrest last year we have now re-entered the market and are re-establishing our relationships this however also resulted in additional operational expenditure in 2012 beyond what we would consider normal operating levels.

Despite incurring losses in the last two years we believe Champion has an excellent business portfolio which will ensure future growth and profitability.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £3,225,799 (2011 - loss £1,055,453).

No dividends were paid or proposed in the year (2011 - £nil).

DIRECTORS

The directors who served during the year were:

H T R Montgomerie

S MacDonald (resigned 15 February 2013)

B A Christie (appointed 1 February 2012 & resigned 4 June 2012)

PRINCIPAL RISKS AND UNCERTAINTIES

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.

CORPORATE SOCIAL RESPONSIBILITIES

The company is committed to the continual development of its workforce across the geography in which we undertake activities. We work under investor in industry guidelines and provide extensive training both in house and through external consultants.

The organization and our employees are committed to integrating economic, social and environmental considerations in to day to day and long term planning.

**DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012**

PROVISION OF INFORMATION TO AUDITORS

The director at the time when this Director's 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.

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 by:.



.....
H T R Montgomerie
Director

Date: 10/10/13

**DIRECTOR'S RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012**

The director is responsible for preparing the Director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting 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 director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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
CHAMPION TECHNOLOGIES LIMITED**

We have audited the financial statements of Champion Technologies Limited for the year ended 31 December 2012, set out on pages 6 to 16. 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 DIRECTOR AND AUDITORS

As explained more fully in the Director's responsibilities statement, the director is 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 director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Director's 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 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 Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
CHAMPION TECHNOLOGIES LIMITED

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 director's 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: *10th October 2013*

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	2012 £	2011 £
TURNOVER	1	24,633,579	21,614,526
Cost of sales		(15,057,937)	(13,190,221)
GROSS PROFIT		9,575,642	8,424,305
Administrative expenses		(16,394,056)	(8,731,054)
OPERATING LOSS	2	(6,818,414)	(306,749)
EXCEPTIONAL ITEMS			
Expatriate taxes	7	-	(1,085,442)
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		(6,818,414)	(1,392,191)
Income from shares in group undertakings		2,173,122	-
Interest receivable and similar income		-	22,770
Interest payable and similar charges	6	(4,182)	(3,407)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(4,649,474)	(1,372,828)
Tax on loss on ordinary activities	8	1,423,675	317,375
LOSS FOR THE FINANCIAL YEAR	16	(3,225,799)	(1,055,453)

All amounts relate to continuing operations.

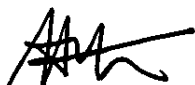
There were no recognised gains and losses for 2012 or 2011 other than those included in the Profit and loss account.

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

**BALANCE SHEET
AS AT 31 DECEMBER 2012**

	Note	£	2012 £	£	2011 £
FIXED ASSETS					
Tangible assets	9		7,419,440		7,881,875
Investments	10		618,190		618,190
			<u>8,037,630</u>		<u>8,500,065</u>
CURRENT ASSETS					
Stocks	11	7,323,718		3,457,995	
Debtors	12	10,883,683		10,773,320	
Cash at bank and in hand		2,755,957		1,117,277	
		<u>20,963,358</u>		<u>15,348,592</u>	
CREDITORS: amounts falling due within one year	13	(14,030,851)		(5,356,713)	
NET CURRENT ASSETS			<u>6,932,507</u>		<u>9,991,879</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>14,970,137</u>		<u>18,491,944</u>
PROVISIONS FOR LIABILITIES					
Deferred tax	14		-		(296,008)
NET ASSETS			<u><u>14,970,137</u></u>		<u><u>18,195,936</u></u>
CAPITAL AND RESERVES					
Called up share capital	15		2,000,000		2,000,000
Profit and loss account	16		12,970,137		16,195,936
SHAREHOLDERS' FUNDS	17		<u><u>14,970,137</u></u>		<u><u>18,195,936</u></u>

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



.....
H T R Montgomerie
Director

Date:

10/10/13

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012****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 Going concern

The directors, having made due and careful enquiry and preparing forecasts, are of the opinion that the company has adequate working capital to execute its operations over the next 12 months. The directors, therefore, have made an informed judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. As a result, the directors have continued to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 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.

1.4 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.

1.5 Turnover

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

1.6 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% to 33% straight line
Plant and machinery	-	20% straight line

1.7 Investments

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

1.8 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**
1. ACCOUNTING POLICIES (continued)
1.9 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.

1.10 Research and development

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

1.11 Pensions

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

1.12 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 LOSS

The operating loss is stated after charging:

	2012 £	2011 £
Depreciation of tangible fixed assets:		
- owned by the company	818,497	809,466
Operating lease rentals:		
other operating leases	8,728	8,728
land and buildings	305,900	331,360
Difference on foreign exchange	(16,494)	(73,659)
Research and development expenditure written off	-	34,500
	<u> </u>	<u> </u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**
3. AUDITORS' REMUNERATION

	2012 £	2011 £
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	32,700	26,290
Fees payable to the company's auditor and its associates in respect of:		
Taxation compliance services	5,100	8,200
All taxation services not included above	59,230	94,510
All other non-audit services not included above	-	32,541
	<u> </u>	<u> </u>

4. STAFF COSTS

Staff costs, including director's remuneration, were as follows:

	2012 £	2011 £
Wages and salaries	10,422,681	8,233,953
Social security costs	935,030	675,391
Other pension costs	518,076	339,798
	<u> </u>	<u> </u>
	11,875,787	9,249,142
	<u> </u>	<u> </u>

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

	2012 No.	2011 No.
Technical	47	46
Sales and distribution	41	39
Office and management	40	36
Yard Personell	15	12
	<u> </u>	<u> </u>
	143	133
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

5. DIRECTOR'S REMUNERATION

	2012 £	2011 £
Emoluments	322,202	301,229
Company pension contributions to defined contribution pension schemes	31,628	30,534

During the year retirement benefits were accruing to 2 directors (2011 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £179,763 (2011 - £184,326).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £19,507 (2011 - £18,879).

6. INTEREST PAYABLE

	2012 £	2011 £
On bank loans and overdrafts	4,182	3,407

7. EXCEPTIONAL ITEMS

	2012 £	2011 £
Expatriate taxes	-	1,085,442

Provision for expatriate taxes in foreign jurisdictions.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**
8. TAXATION

	2012 £	2011 £
Analysis of tax credit in the year		
Current tax (see note below)		
UK corporation tax charge/(credit) on loss for the year	-	(291,900)
Adjustments in respect of prior periods	(77,634)	8,517
Total current tax	<u>(77,634)</u>	<u>(283,383)</u>
Deferred tax (see note 14)		
Origination and reversal of timing differences	(1,346,041)	(33,992)
Tax on loss on ordinary activities	<u>(1,423,675)</u>	<u>(317,375)</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2011 - higher than) the standard rate of corporation tax in the UK of 24.5% (2011 - 26.49%). The differences are explained below:

	2012 £	2011 £
Loss on ordinary activities before tax	<u>(4,649,474)</u>	<u>(1,372,828)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.50% (2011 - 26.49%)	(1,138,994)	(363,662)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	18,657	380,829
Depreciation for year in excess of capital allowances	144,028	(13,878)
Capital allowances for the year in excess of depreciation	56,237	-
Adjustments to tax charge in respect of prior periods	(77,634)	8,517
Deduction for research and development expenditure	-	(12,562)
Exempt dividend income	(532,356)	-
Loss carry back	-	(291,900)
Unrelieved loss on foreign subsidiaries	1,405,112	-
Group relief	35,434	-
Other short term timing differences	11,882	9,273
Current tax credit for the year (see note above)	<u>(77,634)</u>	<u>(283,383)</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**
9. TANGIBLE FIXED ASSETS

	Land & buildings £	Plant & machinery £	Furniture, fittings and equipment £	Total £
Cost				
At 1 January 2012	7,954,904	4,060,967	1,354,962	13,370,833
Additions	15,405	232,733	115,277	363,415
Disposals	-	(12,389)	-	(12,389)
At 31 December 2012	7,970,309	4,281,311	1,470,239	13,721,859
Depreciation				
At 1 January 2012	1,397,056	3,113,044	978,858	5,488,958
Charge for the year	336,452	337,609	144,436	818,497
On disposals	-	(5,036)	-	(5,036)
At 31 December 2012	1,733,508	3,445,617	1,123,294	6,302,419
Net book value				
At 31 December 2012	6,236,801	835,694	346,945	7,419,440
At 31 December 2011	6,557,848	947,923	376,104	7,881,875

10. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2012 and 31 December 2012	618,190
Net book value	
At 31 December 2012	618,190
At 31 December 2011	618,190

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding
Champion Technologies AS	Ordinary	100%
Champion Technologies (Turkmenistan) Ltd	Ordinary	100%

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**
10. FIXED ASSET INVESTMENTS (continued)

The aggregate of the share capital and reserves as at 31 December 2012 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 £	Profit/(loss) £
Champion Technologies AS	6,552,620	2,238,182
Champion Technologies (Turkmenistan) Ltd	1	-
	<u> </u>	<u> </u>

11. STOCKS

	2012 £	2011 £
Raw materials and consumables	7,323,718	3,457,995
	<u> </u>	<u> </u>

12. DEBTORS

	2012 £	2011 £
Trade debtors	8,414,753	5,047,277
Amounts owed by group undertakings	-	4,511,164
Other debtors	41,853	-
Prepayments and accrued income	991,473	907,188
Tax recoverable	385,571	307,691
Deferred tax asset (see note 14)	1,050,033	-
	<u> </u>	<u> </u>
	10,883,683	10,773,320
	<u> </u>	<u> </u>

**13. CREDITORS:
Amounts falling due within one year**

	2012 £	2011 £
Bank loans and overdrafts	52	328,584
Trade creditors	2,247,835	2,269,749
Amounts owed to group undertakings	8,225,953	-
Social security and other taxes	426,134	384,932
Accruals and deferred income	3,130,877	2,373,448
	<u> </u>	<u> </u>
	14,030,851	5,356,713
	<u> </u>	<u> </u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**
14. DEFERRED TAXATION

	2012 £	2011 £
At beginning of year	(296,008)	(330,000)
Released during year	1,346,041	33,992
At end of year	<u>1,050,033</u>	<u>(296,008)</u>

The deferred taxation balance is made up as follows:

	2012 £	2011 £
Accelerated capital allowances	1,050,033	306,008
Short term timing differences	-	(10,000)
	<u>1,050,033</u>	<u>296,008</u>

15. SHARE CAPITAL

	2012 £	2011 £
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>

16. RESERVES

	Profit and loss account £
At 1 January 2012	16,195,936
Loss for the year	(3,225,799)
At 31 December 2012	<u>12,970,137</u>

17. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2012 £	2011 £
Opening shareholders' funds	18,195,936	19,251,389
Loss for the year	(3,225,799)	(1,055,453)
Closing shareholders' funds	<u>14,970,137</u>	<u>18,195,936</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**
18. CONTINGENT LIABILITIES

The company has given guarantees of £2,053,799 (2011 - £1,779,456) through the normal course of trade.

19. CAPITAL COMMITMENTS

At 31 December 2012 the company had capital commitments as follows:

	2012 £	2011 £
Contracted for but not provided in these financial statements	-	24,638

20. OPERATING LEASE COMMITMENTS

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

	Land and buildings		Other	
	2012 £	2011 £	2012 £	2011 £
Expiry date:				
Within 1 year	91,460	63,408	-	8,728
Between 2 and 5 years	-	248,052	-	-

21. 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.

22. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The share capital of the company is owned by Champion Technologies BV. The ultimate parent company was Permian Mud Service Inc, a company incorporated in the United States of America. Subsequent to the year end, the Directors recognised Ecolab Inc. as the ultimate parent company.