



ITS TUBULAR SERVICES (HOLDINGS) LIMITED



Consolidated Financial Statements
Year ended 31 December 2007

SC246080

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The directors present their annual report on the affairs of the company and its group undertakings ("Group"), together with the audited financial statements for the year ended 31 December 2007.

Principal activities and review of the business

The Group provides a range of specialised products and services to the upstream oil and gas industry, primarily focused on drilling activities. Founded in 1986 in Aberdeen the Group has since grown significantly and today, has 20 facilities in 14 countries, covering the key markets within the oil and gas industry. The customer base ranges from National Oil Companies as well as Independents and Majors on the Operator side to drilling contractors and oilfield service companies on the Services side.

The principal activities of the Group are the provision of drilling and pressure control equipment (both for rental and sale), the provision of casing running and fishing services, as well as machine shop manufacturing, inspection and refurbishment services. The Group commenced its casing running services in 2007 and the 2007 results include the first full year of trading of pressure control and fishing services. The Board is delighted with the progress of each of these new activities.

The results for the Group are shown on page 8 of the financial statements. Turnover increased by 33% to \$101.6million, primarily due to continued investment in equipment and facilities coupled with a relentless focus on service quality and local expertise. During 2007, the Group invested \$34.7million in workshop equipment and its rental fleet.

The Group manages its activities on a regional basis and during 2007 all regions performed well with the particularly strong performances out of the Middle East and India, underpinned by deepwater contracts in India. In 2007 new facilities also became fully operational in Alexandria (Egypt) and Kakinada (India).

The Group continued to make significant progress in the year in its strategy for profitable growth. A key performance indicator that the Board uses to measure performance is earnings before interest tax and depreciation (EBITDA). The 33% increase in turnover has driven an EBITDA increase of 78% to \$31.5 million. This was ahead of Board expectations.

The Board is confident that further growth should be achieved in 2008 as the Group continues with its investment programme and expansion strategy.

Further growth has continued in 2008 in the Middle East, India, Egypt and the Americas and new facilities have been opened in China, Kazakhstan and United Arab Emirates.

In addition, in May 2008 the Group acquired 100% of the Trinidad oilfield equipment rental and service business, Trinpet-ITS Limited, for an undisclosed sum. The deal increases the Group's geographical presence in a key region. Trinpet-ITS employs 50 people and operates from a 20,000 square feet manufacturing and service facility at Galeota Point.

Research and development

During the year, \$1.2million was spent on the development and protection of the Group's own proprietary products. These products are now available for rental and sale.

Principal risks and uncertainties

The Group operates in a highly competitive environment across a number of geographic markets. To manage such activities, the Board ensures that safety, quality and value added services are at the heart of the Group's activities, ensuring relationships with customers are maintained for the long term.

Market conditions for upstream services remained very positive throughout the year. Against this backdrop, the demand for the products and services produced by the Group remained strong in 2007, which is reflected in the performance, as shown on page 8.

At present with instability in the global financial markets and volatility in the commodity prices, there is some uncertainty in the marketplace.

Overall activity with the Group's key customers, particularly National Oil Companies, remains robust for now. With a strong asset base of premium equipment and first class facilities in strategic locations with exposure to high activity, the Board remains committed to a focussed investment programme to support further profitable growth in the medium term. In maintaining a healthy and well managed balance sheet the Board aims to ensure that the Group has adequate flexibility to invest and grow.

Employees

Employment, development and retention of staff remains a key focus for the Group. Details of employee costs and numbers are shown on page 30 of the financial statements. Employee numbers in the group rose by 33% year on year and the Group is committed to the ongoing training and development of staff at all levels.

The Group remains committed to ensuring employees remain informed and involved by means of our communication policy. Established practices for providing information to all employees via briefings and formal consultation procedures ensure our employees have a common awareness of the principal factors affecting the Group's performance.

Environmental issues

The Board recognises the importance of its environmental responsibilities, and ensures that in each region we monitor the Group's impact on the environment. Initiatives designed to minimise the group impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumptions. Further underpinning the Group dedication towards reducing its impact on the environment, the UK operations achieved ISO 14001 status in 2007.

Results and Dividends

The results for the year are set out on page 8. The directors do not recommend the payment of a dividend.

Financial instruments

The Group's financial instruments consist primarily of bank loans, finance leases and overdrafts. The principal purposes of these is to fund the Group's operations. In addition, various other financial instruments such as trade creditors and trade debtors arise directly from its operations.

The main financial risk, to which the Group has exposure are credit risk, liquidity risk and foreign currency risk.

The Group's credit risk is primarily attributable to its trade debtors. The amounts presented in the financial statements are net of provisions for doubtful balances. Exposure to credit risk is actively managed in each operating location.

In respect of liquidity risk, the Group aims to maintain the balance between the continuity of ongoing operations and the funding of future developments through the use of a mixture of both short- and long-term funding, including bank loans, finance leases and overdrafts.

The Group has exposure to foreign currency risk, where activities in overseas locations are subject to foreign exchange movements. Such exposures are actively managed through the matching of major income and expenditure flows. The use of derivative instruments such as currency swaps are considered on a case by case basis.

Charitable donations

During the year the Group made charitable donations of \$13,000 (2006- \$12,000).

Directors

The following directors have held office since 1 January 2007:

R G Kidd

F G Clarkson

S R Fudge (Resigned 31 December 2007)

J N J Corray (Appointed 1 October 2007)

S C Milne (Appointed 1 October 2007)

Auditors

As required by Section 234ZA of the Companies Act 1985, each of the Directors has approved this report and confirmed that, so far as he is aware, there is no relevant audit information (being information needed by the auditors in connection with preparing their audit report) of which the Company's Auditors are unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

In accordance with s385 of the Companies Act 1985, a resolution proposing that Hall Morrice be reappointed as auditors of the company will be put to the Annual General Meeting.

Directors' responsibilities

The directors are responsible for preparing the Annual report and the Group and parent company financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent company financial statements for each financial year which give a true and fair view of the state of affairs of the parent company and Group, and of the profit or loss for that period. In preparing each of the Group and parent company 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;
- for the group and parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent 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 parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

By order of the board.



J N J Corray
Chief Executive Officer

30 October 2008

Independent auditor's report

to the shareholders of ITS Tubular Services (Holdings) Limited

We have audited the group and parent company financial statements of ITS Tubular Services (Holdings) Limited for the year ended 31 December 2007 which comprise the group profit and loss account, the group statement of total recognised gains and losses, the group and company balance sheets, the group cash flow statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the parent company's members, 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 parent 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 parent company and the parent 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

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 the other information contained in the annual report as described in the contents page and consider whether it is consistent with the audited

financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 circumstances of the group and the company, 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.

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 Group and the parent company's affairs as at 31 December 2007 and of the Group's profit 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.



Hall Morrice
Registered Auditors Aberdeen
30 October 2008

Consolidated profit and loss account and Statement of Group total recognised gains and losses

Consolidated profit and loss account

for the year ended 31 December 2007

	Note	2007 \$'000	As restated 2006 \$'000
Turnover	2	101,600	76,322
Less share of Joint Venture turnover		(4,129)	(1,546)
Group Turnover		97,471	74,776
Cost of sales		(36,465)	(34,818)
Gross profit		61,006	39,958
Net operating and administrative expenses		(41,475)	(29,340)
Group operating profit	3	19,531	10,618
Share of operating profit in Joint Venture		437	216
Total operating profit: Group and share of Joint Venture		19,968	10,834
Profit on sale of fixed assets		226	908
Profit on Ordinary activities before investment income, interest and taxation		20,194	11,742
Interest receivable	4	202	48
Interest payable and similar charges	5	(5,684)	(3,278)
Profit on Ordinary activities before taxation		14,712	8,512
Tax on profit on Ordinary activities	6	(2,481)	(1,882)
Profit on Ordinary activities after taxation		12,231	6,630
Equity minority interests	21	(511)	40
Profit for the financial year	20	11,720	6,670

All profits are derived from continuing operations.

The Group has taken advantage of the s230 Companies Act 1985 exemption not to present its own profit and loss account.

Statement of Group total recognised gains and losses

for the year ended 31 December 2007

	Note	2007 \$'000	2006 \$'000
Profit for the financial year			
Group		11,350	6,489
Joint Venture		370	181
		11,720	6,670
Exchange differences on translation of foreign operations	19	263	(357)
Total recognised gains for the year		11,983	6,313
Group		11,613	6,132
Joint Venture		370	181
		11,983	6,313

Balance sheets

Balance sheets

as at 31 December 2007

	Note	Group		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Fixed assets					
Intangible assets	7	4,175	2,771	1,337	147
Tangible assets	8	86,140	61,241	13,266	26,249
Investments	9	-	-	17,997	17,560
Investments in Joint Venture:	9				
Share of Gross Assets		2,091	1,776	-	-
Share of Gross Liabilities		(841)	(968)	-	-
		1,250	808	-	-
		91,565	64,820	32,600	43,956
Current assets					
Stock	10	12,296	7,562	7,098	3,424
Debtors	11	37,117	29,838	52,735	21,587
Short-term cash deposits		175	95	-	-
Cash at bank and in hand		12,736	6,054	1,752	-
		62,324	43,549	61,585	25,011
Creditors: amounts falling due to within one year	12	(42,470)	(35,370)	(19,037)	(15,104)
Net Current Assets		19,854	8,179	42,548	9,907
Total assets less current liabilities		111,419	72,999	75,148	53,863
Creditors: amounts falling due after more than one year	13	(76,622)	(51,141)	(74,593)	(49,079)
Provisions for liabilities and charges	15	(1,684)	(1,457)	-	-
Net assets		33,113	20,401	555	4,784
Capital and reserves					
Called up share capital	16	2	2	2	2
Share premium account	17	2,468	2,468	2,468	2,468
Merger reserve	18	1,306	1,306	11,700	11,700
Other reserves	19	(369)	(632)	-	-
Profit and loss account	20	27,863	15,868	(13,615)	(9,386)
Total shareholder's funds		31,270	19,012	555	4,784
Minority interests	21	1,843	1,389	-	-
Total equity		33,113	20,401	555	4,784

The financial statements on pages 8 to 32 were authorised for issue and approved by the board of directors on 30 October 2008.



J Corray
Chief Executive Officer



F Clarkson
Group Finance Director

Consolidated Cash flow statement

Consolidated cash flow statement

for the year ended 31 December 2007

	Note	2007 \$'000	As restated 2006 \$'000
Net Cash Inflow from Operating Activities	(i)	22,542	11,379
Return on Investment and Servicing of Finance			
Bank Interest received		202	48
Bank Loans and Overdraft Interest paid		(5,454)	(3,139)
Other Interest paid		(64)	(48)
Finance charges under Hire purchase contracts paid		(166)	(91)
Net cash outflow from returns on investment and servicing of finance		(5,482)	(3,230)
		17,060	8,149
Taxation		(2,531)	(1,077)
Capital Expenditure			
Payments to acquire tangible fixed assets		(34,289)	(36,631)
Payments to acquire intangible fixed assets		(1,841)	(146)
Receipts from Sale of tangible fixed assets		1,501	2,489
Net cash outflow from capital expenditure		(34,629)	(34,288)
Net cash outflow before financing		(20,100)	(27,216)
Financing	(ii)		
Funds drawn from long-term facilities		31,658	34,410
Repayment of long-term loans		(6,501)	(5,672)
Minority shares issued in subsidiary		–	332
Capital Element of Hire Purchase & Finance Leases repaid		(1,770)	(1,368)
Net cash inflow from financing		23,387	27,702
Increase in cash in year	(iii)	3,287	486

Notes to the consolidated cash flow statement

for the year ended 31 December 2007

	2007 \$'000	2006 \$'000
(i) Reconciliation of Operating Profit to Net Cash Inflow		
Operating Profit	19,531	10,618
Adjustment for exchange loss in net debt included in operating profit	220	446
Other foreign exchange adjustment	(105)	(2,876)
Depreciation	11,109	7,022
Amortisation on Goodwill	393	387
Increase in Stocks	(4,590)	(2,806)
Increase in Debtors	(6,121)	(14,523)
Increase in Creditors	2,105	13,111
	22,542	11,379

(ii) Reconciliation of net cash flow to movement in net debt

Increase in Cash in year	(3,287)	(486)
Funds drawn from long-term facilities	31,658	34,410
Repayment of long-term loans	(6,501)	(5,672)
Repayment of Capital element of Hire purchase and finance leases	(1,770)	(1,368)
Increase in Net Debt resulting from Cashflows	20,100	26,884
Foreign exchange differences	220	446
Inception of Hire purchase and finance leases	2,486	3,115
Increase in Net Debt in Year	22,806	30,445
Net Debt at 1 January	56,000	25,555
Net Debt at 31 December	78,806	56,000

	At 01 Jan 2007 \$'000	Cashflows \$'000	Exchange rate Movements \$'000	Other Changes \$'000	At 31 Dec 2007 \$'000
(iii) Analysis of changes in net debt					
Cash at Bank and in Hand	6,054	6,589	93	-	12,736
Cash on short-term deposit	95	74	6	-	175
Bank Loan and Overdraft	(10,029)	(3,376)	(34)	(152)	(13,591)
	(3,880)	3,287	65	(152)	(680)
Net debt (Due after 1 year)	(49,516)	(25,157)	(236)	152	(74,757)
Obligations under Hire purchase and finance leases	(2,604)	1,770	(49)	(2,486)	(3,369)
	(52,120)	(23,387)	(285)	(2,334)	(78,126)
	(56,000)	(20,100)	(220)	(2,486)	(78,806)

1. Accounting policies

Notes to the consolidated financial statements for the year ended 31 December 2007

1.1 Basis of preparation

The financial statements are prepared under the historical cost convention.

Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.2 Basis of consolidation

(i) Subsidiaries:

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the effective date control is transferred to the Company. On acquisition, the assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any excess of the fair values of the identifiable net assets over the cost of acquisition is recognised directly in the statement of recognised gains and losses.

The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

(ii) Joint Ventures and Associates:

Joint ventures are those entities in which the Group holds a long-term interest and which is jointly controlled by the Group and one or more venturers under a contractual arrangement. Joint ventures are accounted for using the gross equity method of accounting.

(iii) Merged entities:

The December 2005 consolidation of ITS Tubular Services (Holdings) Limited and the ITS Cayman Group and the October 2003 consolidation of ITS Tubular Services (Holdings) Limited and International Tubular Services Limited both met the merger accounting criteria under UK GAAP and the Companies Act 1985 and therefore the transactions were accounted for as a merger. The consolidated accounts have been prepared as if ITS Cayman and International Tubular Services Limited had always comprised the Group. The consolidated accounts were adjusted for the issue on Merger of 198 shares with a nominal value of £198 and 474 shares with a nominal value of £474 respectively and for the elimination of balances between the former groups.

1.3 Foreign currency translation

(i) Functional and presentation currency:

In 2007, ITS Tubular Services (Holdings) Limited (Company) changed its functional currency from sterling to US dollars as the majority of the company's transactions are now US dollar denominated. The consolidated financial statements are presented in US dollars. With effect from 1 January 2007 the Group changed its presentational currency from £ sterling to US dollars. All comparative figures have been restated in US dollars. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operated (the functional currency). The company's equity share capital which is denominated in sterling was translated at the exchange rate ruling at the balance sheet date, with exchange differences taken to reserves.

(ii) Transactions and balances:

Transactions denominated in foreign currencies are translated and recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date. Gains and losses arising on retranslation are recognised in the profit & loss account.

(iii) Group companies:

On consolidation, the assets and liabilities of the Group's non-US dollar functional entities are translated at exchange rates prevailing on the balance sheet date and income and expense items are translated at average annual exchange rates. All resulting exchange differences are recognised as a separate component of equity within reserves.

1.4 Goodwill

Goodwill arising on consolidation (representing the excess of fair value of the consideration given over the fair value of the separable net assets acquired) is recognised as an asset and is amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years.

1.5 Other intangible assets

Other intangible assets are recognised at cost less accumulated amortisation. Amortisation is provided to write off the cost of each asset over their estimated useful lives, using the straight-line method.

1.6 Research and development expenditure

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the profit and loss account as an expense is incurred, in accordance with SSAP 13.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the profit and loss account as an expense is incurred. Capitalised development expenditure is stated at cost less accumulated amortisation. Capitalised expenditure is amortised over its useful economic life, up to a maximum of 10 years from the entry-into-service of the product. These intangible assets are assessed for impairment annually.

1.7 Tangible fixed assets and depreciation

Property, plant and equipment held for use in the Group's operations, or for administrative purposes, are stated in the balance sheet at cost, net of depreciation.

Depreciation is provided on all property, plant and equipment, at rates calculated to write off the cost, less estimated residual value, of each asset over the estimated useful lives, using the straight-line method on the following basis:

Buildings and Short Leasehold	5-10 years
Office Equipment	5-10 years
Plant and Oilfield Equipment	5-10 years
Motor Vehicles	4 years

Assets in the course of construction are not depreciated until brought into use.

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit & loss account.

1.8 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.9 Stock

Stock of raw materials, consumables and goods for resale are valued at the lower of cost and net realisable value. Cost includes all direct expenditure and an appropriate proportion of direct overheads.

Work in progress is valued at net realisable value.

1.10 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account on a straight line basis.

Where the parent is the lessor, the amount receivable from the lessee under a finance lease is recorded in the balance sheet as a debtor at the amount of the net investment.

The net investment is the total amount outstanding under the primary period of the lease agreements less unearned income. The total gross earnings under a finance lease is allocated to future accounting periods to give a constant periodic rate of return to the lessor on the net cash investment in the lease in each period. This is included within turnover.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.11 Pensions

The Group operates a number of defined contribution schemes. The pension costs charged in the financial statements represent the contributions payable by the Company during the period in accordance with FRS 17.

1.12 Taxation

The tax charge represents the sum of tax currently payable and deferred tax. Tax currently payable is based on the taxable profit for the year. Taxable profit differs from the profit reported in the profit and loss account due to items that are not taxable or deductible in any period and also due to items that are taxable or deductible in a different period. The Group's liability for current tax is calculated using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax is provided, using the full liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The principal temporary differences arise from depreciation on property, plant and equipment, tax losses carried forward and, in relation to acquisitions, the difference between the fair values of the net assets acquired and their tax base. Tax rates enacted, or substantially enacted, by the balance sheet date are used to determine deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

1.13 Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of value added tax and other sales related taxes.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.

The parent company acts as a lessor in a number of lease transactions. Turnover includes the total gross earnings under these finance leases, which are recognised in each accounting period, so as to give a constant periodic rate of return to the company on the net cash investment in the lease. This is analysed as follows:

	2007 \$000	2006 \$000
Rental income receivable	6,324	–
Amortisation	(4,048)	–
Gross earnings	2,276	–

1.14 Change in accounting policy

During the year, the Group amended the presentation of certain bank arrangement and non-utilisation fees to reclassify them as a cost of debt, rather than general bank charges and processing costs.

The effect of this change is that net operating and administrative expenses for the year ended 31 December 2006 have decreased by \$196,000, with a corresponding increase in interest payable and similar charges.

Group segmental reporting

2. Group segmental reporting – turnover

The Group's trading can be segmented into five main geographical areas, with the UK being the home of the parent company. The principal geographical segments are as follows:

	Group	
	2007	2006
	\$'000	\$'000
United Kingdom and Europe	20,777	15,319
Africa	8,288	3,210
North & South America	12,435	25,894
Middle East	20,496	10,560
Far East and Asia Pacific	35,475	19,793
Joint Ventures	4,129	1,546
	101,600	76,322

The Group manages its operations under the following key business segments:

	Group	
	2007	2006
	\$'000	\$'000
Services associated with the Rental and Sale of oilfield equipment	81,349	59,240
Workshop Income	16,122	15,536
Joint Ventures	4,129	1,546
	101,600	76,322

Operating Profit, Interest receivable, and Interest payable and similar charges

3. Operating profit

Operating profit is stated after charging/(crediting):

	Group	
	2007	2006
	\$'000	\$'000
Depreciation of owned assets	10,693	6,476
Depreciation of assets held under Hire Purchase contracts	416	121
Total Depreciation charge	11,109	6,597
Amortisation of Goodwill	393	368
Gain on Exchange	(185)	(2,121)
Operating lease rentals	2,150	1,882
Auditors' remuneration:		
Audit services	197	99
Non audit services – taxation services	35	9

4. Interest receivable and similar income

	Group	
	2007	2006
	\$'000	\$'000
Bank Interest	140	45
Other Interest	62	3
	202	48

5. Interest payable and similar charges

	Group	
	2007	As restated 2006
	\$'000	\$'000
Bank Loans and Overdraft Interest	5,454	3,139
Other Interest	64	48
Finance charges under Hire Purchase contracts	166	91
	5,684	3,278

Taxation

6. Taxation

	Group	
	2007	2006
	\$'000	\$'000
Current Tax: United Kingdom		
Corporation tax at 30% (2006- 30%)	412	459
Double Taxation Relief	(206)	(229)
	206	230
Foreign Tax	2,763	1,189
Adjustment in respect of prior period tax charge	2	–
Share of Joint Venture	67	35
Total current tax	3,038	1,454
Deferred Taxation		
Origination and reversal of timing differences:		
– United Kingdom	(20)	383
– Foreign tax	(537)	45
Total deferred tax	(557)	428
Tax on profits on Ordinary activities	2,481	1,882

The Group has activities in many overseas tax jurisdictions where tax rates vary from the United Kingdom. The effective rate of taxation for the Group fluctuates, depending on a number of factors including where contracts are obtained, rates of taxation in non UK tax jurisdictions and the availability of double taxation relief for withholding tax.

The tax for the period is lower (2006- lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

Profit on Ordinary activities before tax	14,712	8,512
Profit on Ordinary activities multiplied by the UK standard rate of corporation tax of 30% (2006- 30%)	4,414	2,554
Effects of:		
Group relief surrendered/(claimed) for nil consideration and losses carried forward	(204)	1,530
Adjustment in respect of foreign tax rates	(1,357)	(540)
Taxable capital element of finance lease repayments not recognised in profit and loss account	1,246	–
Expenses not deductible for tax purposes	214	(68)
Capital allowances in excess of depreciation	(1,275)	(2,022)
Total current tax	3,038	1,454

Intangible fixed assets

7. Intangible fixed assets

	Group				
	Patents and Trademarks \$'000	Development Costs \$'000	Licenses \$'000	Goodwill \$'000	Total \$'000
Cost					
At 1 January 2007	147	–	–	4,176	4,323
Reclassification	(76)	76	–	–	–
Additions	178	606	406	572	1,762
Disposals	–	–	–	(41)	(41)
Exchange adjustments	–	–	–	61	61
At 31 December 2007	249	682	406	4,768	6,105
Accumulated amortisation					
At 1 January 2007	–	–	–	1,552	1,552
Charge for year	–	–	–	393	393
Disposals	–	–	–	(41)	(41)
Exchange adjustments	–	–	–	26	26
At 31 December 2007	–	–	–	1,930	1,930
Net book value at 31 December 2007	249	682	406	2,838	4,175
Net book value at 31 December 2006	147	–	–	2,624	2,771

	Company				
	Patents and Trademarks \$'000	Development Costs \$'000	Licenses \$'000	Goodwill \$'000	Total \$'000
Cost					
At 1 January 2007	147	–	–	–	147
Reclassification	(76)	76	–	–	–
Additions	178	606	406	–	1,190
At 31 December 2007	249	682	406	–	1,337
Accumulated amortisation					
At 1 January 2007	–	–	–	–	–
Charge for year	–	–	–	–	–
At 31 December 2007	–	–	–	–	–
Net book value at 31 December 2007	249	682	406	–	1,337
Net book value at 31 December 2006	147	–	–	–	147

Tangible fixed assets

8. Tangible fixed assets

	Group				Total
	Buildings and Short Leasehold	Plant and Oilfield Equipment	Motor Vehicles	Office Equipment	
	\$'000	\$'000	\$'000	\$'000	\$'000
Cost					
At 1 January 2007	3,243	79,593	867	1,593	85,296
Additions	1,271	34,697	294	513	36,775
Disposals	–	(2,273)	(233)	–	(2,506)
Exchange adjustments	41	836	11	33	921
At 31 December 2007	4,555	112,853	939	2,139	120,486
Accumulated depreciation					
At 1 January 2007	836	22,223	342	654	24,055
Charge for year	328	10,244	174	363	11,109
Eliminated on Disposals	–	(1,104)	(127)	–	(1,231)
Exchange adjustments	27	365	4	17	413
At 31 December 2007	1,191	31,728	393	1,034	34,346
Net book value at 31 December 2007	3,364	81,125	546	1,105	86,140
Net book value at 31 December 2006	2,407	57,370	525	939	61,241

Assets held under finance leases and hire purchase arrangements, capitalised and included in tangible fixed assets:

	2007	2006
	\$'000	\$'000
Cost	4,632	3,601
Accumulated depreciation	(554)	(758)
Net book amount	4,078	2,843

	Company				Total
	Buildings and Short Leasehold	Plant and Oilfield Equipment	Motor Vehicles	Office Equipment	
	\$'000	\$'000	\$'000	\$'000	\$'000
Cost					
At 1 January 2007	–	28,500	–	–	28,500
Additions	–	8,293	–	–	8,293
Disposals	–	(21,924)	–	–	(21,924)
At 31 December 2007	–	14,869	–	–	14,869
Accumulated depreciation					
At 1 January 2007	–	2,251	–	–	2,251
Charge for year	–	1,152	–	–	1,152
Eliminated on Disposals	–	(1,800)	–	–	(1,800)
At 31 December 2007	–	1,603	–	–	1,603
Net book value at 31 December 2007	–	13,266	–	–	13,266
Net book value at 31 December 2006	–	26,249	–	–	26,249

Investment in subsidiaries and Joint Ventures

9. Investment in subsidiaries and Joint Ventures

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Shares in Group undertakings				
At 1 January	-	-	17,560	17,242
Additions in year	-	-	437	318
At 31 December	-	-	17,997	17,560
Interests in Joint Ventures				
At 1 January – Net Assets	808	603	-	-
Exchange Adjustments	72	24	-	-
Share of profits retained	370	181	-	-
At 31 December	1,250	808	-	-
Total fixed asset investments	1,250	808	17,997	17,560

Investment in Group undertakings are stated at cost. A list of subsidiary undertakings and Joint Ventures is shown in Note 29 to the financial statements.

The company has a 50% interest in Shenhzen Weisheng ITS Tubular Equipment Company Limited. Additional information relating to that entity required under Financial Reporting Standard 9, 'Associates and Joint Ventures' is given below:

	Group	
	\$'000	\$'000
Fixed assets	883	584
Current assets	1,208	1,192
Share of gross assets	2,091	1,776
Liabilities due within one year	841	986
Liabilities due after more than one year	-	-
Share of gross liabilities	841	968
Share of net assets	1,250	808
Share of Turnover	4,129	1,546
Profit before tax	437	216
Taxation	67	35
Profit after tax	370	181

Stock and Debtors

10. Stock

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Stock and work in progress				
Raw materials and consumables	1,928	1,838	-	-
Work in progress	569	91	-	-
Finished products for resale	9,799	5,633	7,098	3,424
	12,296	7,562	7,098	3,424

11. Debtors

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Amounts falling due within one year				
Trade debtors	25,859	21,072	-	-
Amounts owed by Group undertakings	-	-	25,421	20,337
Amounts owed by Joint Ventures	46	42	-	-
Finance lease receivables	-	-	25,923	-
Prepayments and accrued income	5,190	4,061	-	-
Deferred tax asset	760	-	-	-
Other debtors	5,262	4,663	1,391	1,250
	37,117	29,838	52,735	21,587

Net investment in finance leases comprises:

Total amounts receivable	31,820	-
Less: interest allocated to future periods	(5,897)	-
	25,923	-

Rentals receivable during the year under finance leases amounted to \$6,324,000 (2006- Nil).

The cost of assets acquired during the year for onward finance leasing was \$10,253,000 (2006- Nil).

Finance lease receivables includes \$20,610,000 (2006- Nil) which relates to periods after more than one year.

Creditors

12. Creditors

Amounts falling due within one year

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Amounts falling due within one year				
Bank loans and overdraft	13,591	10,029	13,591	9,625
Obligations under hire purchase contracts	1,504	979	–	–
Trade creditors	12,649	15,296	3,616	4,068
Amounts owed to Group undertakings	–	–	690	760
Corporation Tax	778	346	–	–
Other tax and and social security	1,432	864	166	63
Other creditors	5,942	1,985	–	–
Accruals and deferred income	6,574	5,871	974	588
	42,470	35,370	19,037	15,104

13. Creditors

Amounts falling due after more than one year

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Amounts falling due after more than one year				
Bank loans	74,757	49,516	74,593	49,079
Obligations under hire purchase contracts	1,865	1,625	–	–
	76,622	51,141	74,593	49,079

Bank and other borrowings

14. Bank and other borrowings

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Due within one year or on demand				
Secured bank loans and overdraft	13,591	10,029	13,591	9,625
Obligations under hire purchase contracts	1,504	979	–	–
	15,095	11,008	13,591	9,625
Due after more than one year				
Secured bank loans and overdraft	74,757	49,516	74,593	49,079
Obligations under hire purchase contracts	1,865	1,625	–	–
	76,622	51,141	74,593	49,079

The bank loans and overdrafts are secured by a bond and floating charge over the whole of the assets of the Group. In addition, the bank holds a cross guarantee over all sums, incorporating rights of offset between all group companies.

Bank loans are denominated in GBP sterling and US dollars, and bear interest based on LIBOR or foreign equivalents. Interest is charged at rates between 1.75% and 2.5% above LIBOR. All bank loans and overdrafts bear interest at floating rates.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

Pound sterling	19,027	16,992	19,027	16,583
US dollar	69,321	42,553	69,156	42,121
	88,348	59,545	88,183	58,704

	Group					
	Bank Loans \$'000	Other \$'000	2007 Total \$'000	Bank Loans \$'000	Other \$'000	2006 Total \$'000
Maturity of non current bank and other borrowings:						
In more than one year but not more than five years	74,757	1,865	76,662	49,516	1,625	51,141
In more than five years	-	-	-	-	-	-
	74,757	1,865	76,662	49,516	1,625	51,141
	Company					
In more than one year but not more than five years	74,593	-	74,593	49,079	-	49,079
In more than five years	-	-	-	-	-	-
	74,593	-	74,593	49,079	-	49,079

The Group has the following undrawn committed borrowing facilities available at 31 December:

	Group	
	2007 \$'000	2006 \$'000
Borrowing Facilities		
Expiring within one year	141	1,262
Expiring between one and two years	6,607	10,573
	6,748	11,835

The facilities expiring within one year are annual facilities, subject to review at 31 May of each year. Other facilities have been arranged to help finance the expansion of the Group's activities worldwide. All these facilities incur commitment fees at market rates.

Provisions for liabilities and charges

15. Provisions for liabilities and charges

Provisions for liabilities and charges:

	Group	Company
	\$'000	\$'000
Deferred taxation		
At 1 January 2007	1,457	–
Exchange differences	16	–
Transferred to profit and loss account	211	–
At 31 December 2007	1,684	–

The provision for deferred tax comprises:

	Group		Company	
	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000
Accelerated capital allowances	1,837	3,031	94	1,409
Other timing differences	(153)	(1,574)	(94)	(1,409)
	1,684	1,457	–	–

Factors that may affect future tax charges

Based on current capital investment plans, the Group expects to continue to be able to claim capital allowances in excess of depreciation in future years at a similar level to the current year.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries and Joint Ventures. As the earnings are continually reinvested by the Group, no tax is expected to be payable on them in the foreseeable future.

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

Share capital, Share premium and Merger reserve

16. Share capital

	Group and Company	
	2007 \$'000	2006 \$'000
Authorised 2,000,000 Ordinary shares of £1 each	3,918	3,918
Allotted, called up and fully paid 772 Ordinary shares of £1 each	2	2

17. Share premium

	Group and Company	
	2007 \$'000	2006 \$'000
As at 1 January and 31 December	2,468	2,468

18. Merger reserve

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
At 1 January and at 31 December	1,306	1,306	11,700	11,700

Other reserves, Profit and loss account and Minority interest

19. Other reserves

	Group	
	2007 \$'000	2006 \$'000
Currency translation reserve		
At 1 January	(632)	(275)
Exchange differences on translation of foreign operations	263	(357)
At 31 December	(369)	(632)

20. Profit and loss account

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
At 1 January	15,868	8,848	(9,386)	(6,700)
Exchange adjustments	275	350	-	-
Profit/(loss) for the financial year	11,720	6,670	(4,229)	(2,686)
At 31 December	27,863	15,868	(13,615)	(9,386)

Statement of changes in shareholder's equity

21. Minority interest

	Group	
	2007 \$'000	2006 \$'000
At 1 January	1,389	1,090
Share of profit/(loss) for year	511	(40)
Proceeds from issue of shares in subsidiary	–	332
Acquisition of minority interest in Subsidiary undertaking	(79)	–
Exchange adjustments	22	7
At 31 December	1,843	1,389

22. Statement of changes in shareholder's equity

	Share Capital	Share Premium	Retained Earnings	Merger Reserve	Currency Translation Reserve	Total	Minority Interest	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group								
At 1 January 2006	2	2,468	8,848	1,306	(275)	12,349	1,090	13,439
Foreign currency translation	–	–	350	–	(357)	(7)	7	–
Proceeds from issue of shares in subsidiary	–	–	–	–	–	–	332	332
Profit for the year	–	–	6,670	–	–	6,670	(40)	6,630
At 31 December 2006	2	2,468	15,868	1,306	(632)	19,012	1,389	20,401
At 1 January 2007	2	2,468	15,868	1,306	(632)	19,012	1,389	20,401
Foreign currency translation	–	–	275	–	263	538	22	560
Acquisition of minority interest in Subsidiary undertaking	–	–	–	–	–	–	(79)	(79)
Profit for the year	–	–	11,720	–	–	11,720	511	12,231
At 31 December 2007	2	2,468	27,863	1,306	(369)	31,270	1,843	33,113

Directors and employees, and Pension costs

23. Directors and employees

Employee expenses for the year were as follows:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Wages and salaries	17,814	14,283	1,482	1,223
Social Security costs	752	736	161	143
Pension costs	194	109	33	–
	18,760	15,128	1,676	1,366

The average monthly number of people, including executive directors, employed during the year was as follows:

Direct and Workshop staff	499	388	–	–
Administration staff	159	99	–	–
Management	33	34	5	3
	691	521	5	3

Directors' emoluments comprise the following:

Aggregate emoluments, including money purchase contributions	1,515	2,820
Emoluments of the highest paid director in 2007	790	2,498

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 4 (2006- Nil).

24. Pension costs

The Group operates a number of defined contribution pension schemes. The assets of the schemes are held separately from those of the Group, in independently administered funds. The pension cost charge represents contributions payable by the Group to each fund and amounted to \$194,000 (2006- \$109,000). Contributions totalling \$19,000 (2006- \$8,000) were payable to the funds at the year end and are included in creditors.

Contingent liabilities, Capital commitments and Operating lease commitments

25. Contingent liabilities

The Group provided in the normal course of its business as follows:

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Performance bonds	2,461	2,343	2,325	2,141

26. Capital commitments

	Group		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Contracts placed for future capital investment, not provided for in the financial statements	11,414	5,395	8,771	4,192

27. Operating lease commitments

At 31 December 2007, the Group had lease agreements in respect of properties, plant and equipment, which extend over a number of years.

	Property		Other	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Annual commitments under non cancellable operating leases expiring:				
Within one year	917	406	43	202
Within two to five years	2,498	1,072	265	261
After five years	899	857	81	4
	4,314	2,335	389	467

Related party transactions, Subsidiary undertakings and Control

28. Related party transactions

The following balances relate to transactions carried out with Group undertakings:

	Group	
	2007	2006
	\$'000	\$'000
Receivable from Joint venture	46	42
	Company	
Amounts owed by Group undertakings	25,421	20,337
Finance lease receivables	25,923	–
Amounts owed to Group undertakings	690	760

As detailed in Note 11, finance lease receivables relate to sums due entirely from group undertakings.

29. Subsidiary undertakings

ITS Tubular Services (Holdings) Limited is a private company, registered and domiciled in Scotland.

Details of investments in which the Group and the Company holds more than 20% of the nominal value of any class of share capital are as follows:

Company	Country of Registration or incorporation	Shares held Class	%
International Tubular Services Limited	Scotland	Ordinary	100
ITS Leasing Limited	Scotland	Ordinary	100
International Tubular Services (Pakistan) Limited	Scotland	Ordinary	100
ITS India Private Limited	India	Ordinary	100
International Tubular Services (Baku) Limited	Scotland	Ordinary	100
International Tubular Services – Egypt (ITS Egypt)	Egypt	Ordinary	66
International Tubulars FZE	United Arab Emirates	Ordinary	100
International Tubular Services Asia-Pacific Ltd	Singapore	Ordinary	100
International Tubular Services Cayman*	Cayman Islands	Ordinary	100
ITS Holdings Inc*	USA	Ordinary	100
ITS Rental & Sales Inc	USA	Ordinary	100
ITS Threading & Manufacturing Inc	USA	Ordinary	100
Servicios ITS Latinamericana S.A.	Venezuela	Ordinary	90
Shenzhen Weisheng ITS Tubular Equipment Co. Ltd	China	Ordinary	50
ITS Oilfield Supply Ltd	Scotland	Ordinary	100
ITS Global Services Ltd**	Scotland	Ordinary	100

The principal activity of all Group companies is the rental, inspection, sale and repair, and manufacture of oilfield equipment, with the exception of those marked * which are holding companies and **which is dormant.

30. Control

The company was controlled in the current and previous period, by one of its directors, Mr R G Kidd.

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