

Company registration no. SC145802

**Schoeller-Bleckmann Darron Limited**

**Annual Report**

**For the year ended 31 December 2018**



**Schoeller-Bleckmann Darron Limited**  
**Annual Report**

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**For the year ended 31 December 2018**

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## **Company Information**

For the year ended 31 December 2018

### **DIRECTORS**

M Fosleitner  
G Grohmann  
K Mader  
C MacPherson

### **COMPANY SECRETARY**

Stronachs Secretaries Limited

### **REGISTERED OFFICE**

Unit 47  
Howe Moss Terrace  
Kirkhill Industrial Estate  
Dyce  
Aberdeen  
AB21 0GR

### **COMPANY NUMBER**

SC145802

### **AUDITOR**

Mazars LLP  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

## **Strategic Report**

**For the year ended 31 December 2018**

The directors present their Strategic Report for Schoeller-Bleckmann Darron Limited the year ended 31 December 2018.

### **Business Review**

Revenue has increased by 11.9% to \$15.9 million from \$14.2 million. Profit before tax has decreased by 18.0% to \$2.1 million from \$2.6 million due to an increase in administrative costs and the strengthening of Russian roubles in the year.

Our key objectives remain unchanged, keeping costs low while increasing revenues and market share due to best value for money of our products and services for customers.

We use our strong stock position in Noyabrsk and offered short lead times for products and repairs to our customers.

To overcome threats in the market we need to remain customer oriented and to monitor our pricing strategy closely.

The Company plans to increase substantially its existing market share both in Russia and expand into other geographical locations in the Former Soviet Union plus provide additional repair and service offerings.

### **Principal risks and uncertainties**

The Company's activities expose it to a variety of financial risks including foreign exchange risk, interest rate risk and credit risk. The Company participates in policies developed and implemented for the group as a whole by the ultimate parent Company SBO AG undertaking to monitor and control these risks.

Given the size of the Company, the members have not delegated the responsibility of monitoring financial risk management to a sub-committee. The Company's Finance Department implements the policies set by the directors.

#### **Credit risk**

The Company has implemented policies that require customers to be credit checked before new accounts are accepted.

The Company has a risk management programme in place that seeks to limit adverse effects on financial performance by monitoring levels of debt finance and the related finance costs when applicable. The Company does not use derivative instruments to manage interest rate costs and, as such, no hedge accounting is applied.

The amount of exposure to any individual counterparty is subject to a limit, which is re-assessed annually by the members.

#### **Foreign exchange risk**

The Company operates in a number of currencies and is exposed to exchange rate fluctuations. This risk is assessed on an ongoing basis. The Company does not use derivative financial instruments to manage currency exchange movements and, as such, no hedge accounting is applied.

## Strategic Report (continued)

For the year ended 31 December 2018

### Interest rate cash flow risk

The group holds interest bearing assets including Company bank balances that receive interest income at a variable rate. The risks arising from holding such assets are regularly reviewed by the directors.

### Political risk

The Company's branch operates in the Russian Federation. In the past twelve months there have been significant operational challenges due to the ongoing political situation including trading sanctions and currency issues. The directors continue to closely monitor operations to enable the Company to react as required.

The company and branch are not impacted by the decision of the United Kingdom electorate to leave the European Union "Brexit".

### Financial key performance indicators

The Company regard the level of revenue and operating profit as the key indicators of the Company's financial performance. These indicators are included above.

All the above indicators are monitored on an ongoing basis.

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

M Fosleitner

Director

Date:

5 April 2019

## **Directors' Report**

**For the year ended 31 December 2018**

The directors present their report and the audited financial statements for the year ended 31 December 2018.

### **Principal activities**

The principal activities of the Company in the year under review were those of the manufacture, repair and sale of non-magnetic and black steel drill string components for oil and gas wells, as well as thread connection inspections services, rent of down-hole motors, drilling jars, NMDC's, and multi-activating circulation wells for the oil & gas industry.

### **Results and dividends**

The profit for the year, after taxation, amounted to \$1.6 million (2017: \$2.2 million)

During the year an interim dividend of \$1.1 million (2017: \$1.2 million) was paid. The directors do not recommend the payment of a final dividend.

### **Directors**

The directors who served during the year were:

M Fosleitner

G Grohmann

K Mader

C MacPherson

The Company's Articles of Association include provisions indemnifying the directors for all liabilities incurred in the performance of their duties.

### **Political contributions**

The Company made no political donations or incurred any political expenditure during the year (2017: \$nil).

### **Matters covered in the Strategic report**

As permitted by paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and reports) Regulation 2008 certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on pages 2 to 3. These matters relate to the business review, principal risks and uncertainties and financial key performance indicators.

### **Overseas branches**

The company has a branch in the Russian Federation.

## Directors' Report (continued)

For the year ended 31 December 2018

### Directors' Responsibilities Statement

The directors are responsible for preparing the strategic report, 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 applicable law and United Kingdom Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, to disclose with reasonable accuracy at any time the financial position of the Company and to 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.

### 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 auditor is 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 auditor in connection with preparing its report and to establish that the Company's auditor is aware of that information.

### Auditor

The auditor, Mazars 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

M Fosleitner

Director

Date:

5 April 2019

## **Independent Auditor's Report to the Members of Schoeller-Bleckmann Darron Limited**

**For the year ended 31 December 2018**

### **Opinion**

We have audited the financial statements of Schoeller-Bleckmann Darron Limited (the 'company') for the year ended 31 December 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. 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) including FRS 101 'Reduced Disclosure Framework'.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

## **Independent Auditor's Report to the Members of Schoeller-Bleckmann Darron Limited**

**For the year ended 31 December 2018**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specific by law are not made; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of Directors**

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## **Independent Auditor's Report to the Members of Schoeller-Bleckmann Darron Limited**

**For the year ended 31 December 2018**

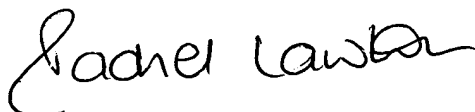
### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of the audit report**

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



Rachel Lawton (Senior Statutory Auditor)

For and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor  
Mazars LLP,  
Tower Bridge House  
St Katharine's Way  
London  
E1W 1DD

Date: 9 April 2019

## Statement of Comprehensive Income

For the year ended 31 December 2018

	Notes	2018 \$	2017 \$
Revenue	3	15,902,877	14,208,519
Cost of sales		(11,038,881)	(9,688,325)
<b>Gross profit</b>		<u>4,863,996</u>	<u>4,520,194</u>
Administrative expenses		(2,818,152)	(1,986,647)
<b>Operating profit</b>	4	2,045,844	2,533,547
Finance income	6	99,968	83,430
<b>Profit before taxation</b>		<u>2,145,812</u>	<u>2,616,977</u>
Taxation	7	(579,884)	(416,692)
<b>Profit for the year attributable to owners of the Company</b>		<u>1,565,928</u>	<u>2,200,285</u>
<b>Other comprehensive income:</b>			
<i>Items that will not be reclassified to profit or loss:</i>		-	-
<i>Items that will be reclassified to profit or loss:</i>		-	-
<b>Total other comprehensive income for the year</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<u>1,565,928</u>	<u>2,200,285</u>

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

The notes on pages 12 to 23 form part of these financial statements.

## Statement of Financial Position

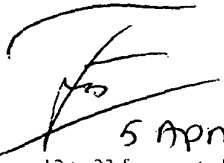
As at 31 December 2018

	Notes	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	9,210,251	8,282,775
Deferred tax asset	13	225,119	217,311
		<u>9,435,370</u>	<u>8,500,086</u>
<b>Current assets</b>			
Inventories	9	5,857,650	7,142,488
Trade and other receivables	10	5,343,324	5,453,347
Cash and cash equivalents	11	1,414,319	1,668,735
		<u>12,615,293</u>	<u>14,264,570</u>
<b>Total assets</b>		<u>22,050,663</u>	<u>22,764,656</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	2,019,769	3,199,180
Current tax liabilities		71,812	72,322
		<u>2,091,581</u>	<u>3,271,502</u>
<b>Non-current liabilities</b>			
Deferred tax		-	-
<b>Total liabilities</b>		<u>2,091,581</u>	<u>3,271,502</u>
<b>Net assets</b>		<u>19,959,082</u>	<u>19,493,154</u>
<b>EQUITY</b>			
Share capital	14	6,782,773	6,782,773
Retained earnings		13,176,309	12,710,381
<b>Total equity</b>		<u>19,959,082</u>	<u>19,493,154</u>

The financial statements were approved by the Board of Directors and authorised for issue and signed on their behalf by:

M Fosleitner  
 Director

Date:

  
 5 April 2019

The notes on pages 12 to 23 form part of these financial statements.

## Statement of Changes in Equity

As at 31 December 2018

	Share capital \$	Retained earnings \$	Total equity \$
<b>At 1 January 2017</b>	6,782,773	11,710,096	18,492,869
Profit for the year	-	2,200,285	2,200,285
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	-	2,200,285	2,200,285
Dividends paid	-	(1,200,000)	(1,200,000)
<b>At 31 December 2017</b>	<b>6,782,773</b>	<b>12,710,381</b>	<b>19,493,154</b>
Profit for the year	-	1,565,928	1,565,928
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	-	1,565,928	1,565,928
Dividends paid	-	(1,100,000)	(1,100,000)
<b>At 31 December 2018</b>	<b>6,782,773</b>	<b>13,176,309</b>	<b>19,959,082</b>

The notes on pages 12 to 23 form part of these financial statements.

## **Notes to the Financial Statements**

For the year ended 31 December 2018

### **1. Corporate information**

Schoeller-Bleckmann Darron Limited is a Company incorporated in Scotland. The registered address of the Company is given on page 1. The principal operations of the Company are included in the Directors' Report on page 4-5.

### **2. Accounting policies**

#### **2.1. Basis of preparation**

##### ***Statement of compliance***

These financial statements have been prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") and in accordance with the applicable provisions of the Companies Act 2006. Except for certain disclosure exemptions detailed below, the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (EU-adopted IFRSs) have been applied to these financial statements and, where necessary, amendments have been made in order to comply with the Companies Act 2006 and The Large and Medium-sized Companies and Groups Regulations 2008/410 ('Regulations').

##### ***Basis of measurement***

The financial statements have been prepared on the historical cost basis.

##### ***Going concern***

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they have continued to adopt the going concern basis of accounting in preparing the financial statements.

#### **Disclosure exemptions applied**

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS101 paragraph 8:

- (i) The requirement of IFRS 7 'Financial Instruments: Disclosures' relating to the disclosure of financial instruments and the nature and extent of risks arising from such instruments;
- (ii) The requirement of IFRS 13 'Fair Value Measurement' paragraphs 91 to 99 relating to the fair value measurement disclosures of financial assets and financial liabilities that are measured at fair value, such as the available for sale investments and derivative financial instruments;
- (iii) The applicable requirements of IAS 36 'Impairment of Assets' relating to the disclosures of estimates used to measure recoverable amounts;
- (iv) The applicable requirements of IAS 1 'Presentation of Financial Statements' relating to the disclosure of comparative information in respect of the number of shares outstanding at the beginning and end of the year (IAS 1.79(a)(iv)), the reconciliation of the carrying amount of property, plant and equipment (IAS 16.73(e)) and the reconciliation of the carrying amount of intangible assets (IAS 18(118)(e)).
- (v) The requirement of IAS 1 'Presentation of Financial Statements' paragraphs 134 to 136 relating to the disclosure of capital management policies and objectives;
- (vi) The requirements of IAS 7 'Statement of Cash Flows' and IAS 1 'Presentation of Financial Statements' paragraph 10(d), 111 relating to the presentation of a Cash Flow Statement;
- (vii) The requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' paragraphs 30 and 31 relating to the disclosure of standards, amendments and interpretations in issue but not yet effective; and

## Notes to the Financial Statements

For the year ended 31 December 2018

### 2. Accounting policies (continued)

#### 2.1. Basis of preparation (continued)

- (viii) The requirements of IAS 24 'Related Party Disclosures' relating to the disclosure of key management personnel compensation and relating to the disclosure of related party transactions entered into between the Company and other wholly-owned subsidiaries of the group.

For the disclosure exemptions listed in points (i) to (iii), the equivalent disclosures are included in the consolidated financial statements of the group, Schoeller-Bleckmann Oilfield Equipment AG which the Company is consolidated into.

#### *Adoption of new and revised standards*

The following standards and interpretations have been adopted in the financial statements as they are mandatory for the year ended 31 December 2018:

	<i>EU effective date periods beginning on or after</i>
<i>IAS 40 Investment Property:</i> Amendment in relation to transfers of investment property	<i>1 January 2018</i>
<i>IFRS 2 Share-based Payment:</i> Amendment in relation to classification and measurement of share-based payment transactions	<i>1 January 2018</i>
<i>IFRS 4 Insurance Contracts:</i> Amendment in relation to applying IFRS 9 <i>Financial Instruments</i> with IFRS 4 <i>Insurance Contracts</i>	<i>1 January 2018</i>
<i>IFRS 9 Financial Instruments</i>	<i>1 January 2018</i>
<i>IFRS 15 Revenue from Contracts with Customers</i>	<i>1 January 2018</i>
<i>Annual Improvements to IFRSs (2014 - 2016)</i>	<i>1 January 2018</i>
<i>IFRIC 22 Foreign Currency Transactions and Advance Consideration</i>	<i>1 January 2018</i>

The adoption of the standards and interpretations above has not had a material impact on the company's financial statements.

#### *Functional and presentational currency*

The Company's functional currency is US Dollar, as this is the currency of the primary economic environment of that which the Company operates.

#### *Use of estimates and judgements*

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

## **Notes to the Financial Statements**

For the year ended 31 December 2018

### **2. Accounting policies (continued)**

#### *Use of estimates and judgements (continued)*

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 2.13.

#### **2.2. Foreign currency**

Transactions in foreign currencies are translated into the functional currencies at the spot exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at each reporting date are translated into the functional currency at the spot exchange rates as at that date. Exchange rates are \$1: RR69.72 (2017: \$1: RR57.61).

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognised in the statement of comprehensive income.

#### **2.3. Revenue**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided during the year in the normal course of business, net of discounts, VAT, and other sales-related taxes. Revenue is recognised to the extent that it is probable that economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is recognised on despatch of goods.

#### **2.4. Income tax**

Current income tax assets and/or liabilities comprise obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid/due at the reporting date. Current tax is payable on taxable profits, which may differ from profit or loss in the financial statements. Calculation of current tax is based on the tax rates and tax laws that have been enacted or substantively enacted at the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). However, for deductible temporary differences associated with investments in subsidiaries a deferred tax asset is recognised when the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

## **Notes to the Financial Statements**

**For the year ended 31 December 2018**

### **2. Accounting policies (continued)**

#### **2.5. Property plant and equipment**

Property, plant and equipment is recognised as an asset only if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

An item of property, plant and equipment that qualifies for recognition as an asset is measured at its cost. Cost of an item of property, plant and equipment comprises the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and an initial estimate of the cost of dismantling and removing the asset and restoring the site on which it is located.

After recognition, all property, plant and equipment are carried at costs less any accumulated depreciation and any accumulated impairment losses.

Depreciation is provided at rates calculated to write down the cost of assets, less estimated residual value, over their expected useful lives on the following basis:

Freehold property	5% to 20% on cost
Plant and machinery	10% to 25% on cost
Motor vehicles	20% to 33% on cost
Fixtures & fittings	25% to 33% on cost

Construction in progress is not depreciated until brought into use.

The residual value and the useful life of an asset is reviewed at least at each financial year-end and if expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate in accordance with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying value of the asset and are recognised in statement of comprehensive income.

#### **2.6. Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying value of non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset, or cash generating unit.

The present value calculation involves estimating the future cash inflows and outflows to be derived from continuing use of the asset, and from its ultimate disposal, applying an appropriate discount rate to those future cash flows.

Where the recoverable amount of an asset is less than the carrying amount, an impairment loss is recognised immediately in profit or loss. An impairment loss recognised for all assets is reversed in a subsequent period if, and only if, the reasons for the impairment loss have ceased to apply.

#### **2.7. Stocks**

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

## **Notes to the Financial Statements**

For the year ended 31 December 2018

### **2. Accounting policies (continued)**

#### **2.8. Financial instruments**

##### ***Financial assets carried at amortised cost***

Financial assets are recognised on the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial assets are initially recognised at fair value plus directly attributable transaction costs.

Financial assets carried at amortised cost are classified as loans and receivables and comprise trade and other receivables and cash and cash equivalents. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through use of an allowance account.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and reward are transferred.

##### ***Financial liabilities carried at amortised cost***

These financial liabilities include trade and other payables only.

Financial liabilities are initially recognised at fair value adjusted for any directly attributable transaction costs.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

#### **2.9. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value.

#### **2.10. Equity and reserves**

Share capital represents the nominal value of shares that have been issued.

Retained earnings include all current and prior period retained profits.

## **Notes to the Financial Statements**

For the year ended 31 December 2018

### **2. Accounting policies (continued)**

#### **2.11. Provisions**

Provision for onerous contracts, restructuring costs and legal claims are recognised when: the company has a present or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is assessed based on the impact on the class of obligations as a whole, even if the likelihood of an outflow with respect to any one individual item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

#### **2.12. Pension costs and other post-retirement benefits**

The company contributes to the Russian Social Security Fund in compliance with local legislation. Costs are expensed as incurred.

#### **2.13. Significant management judgements in applying accounting policies and estimation uncertainty**

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

##### **Significant management judgement**

The following are significant management judgements in applying the accounting policies of the Company that have the most effect on the financial statements.

##### *Recognition of deferred tax assets*

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the level and the likely timing of future taxable profits. Further details on deferred tax asset recognition are disclosed in note 13.

### **3. Revenue**

The whole of the revenue is attributable to manufacture, repair and sale of plant equipment and parts for the oil industry.

All revenue arose within the Russian Federation.

## **Notes to the Financial Statements**

For the year ended 31 December 2018

### **4. Operating profit**

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

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Depreciation of tangible fixed assets:		
- Owned by the company	2,388,460	2,151,740
Auditor's remuneration	50,000	50,000
Auditor's remuneration – non-audit	8,100	8,100
Difference on foreign exchange: income/(loss)	(1,292,488)	206,573
Cost of stock recognised as an expense	4,912,005	4,182,172

Director's remuneration during the year was \$229,941 (2017: \$207,932).

The directors of the company are also the key management personnel.

### **5. Staff costs**

Staff costs were as follow:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Wages and salaries	1,941,430	1,882,197
Social security costs	460,729	392,651
	<u>2,402,159</u>	<u>2,274,848</u>

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

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Production	67	60
Administration	1	1
Control and accounting	4	4
Sales and marketing	6	5
Management	1	1
	<u>79</u>	<u>71</u>

### **6. Finance income and costs**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Bank interest receivable	99,968	83,430

## Notes to the Financial Statements

For the year ended 31 December 2018

### 7. Income tax

	2018	2017
	\$	\$
Tax for current year	588,202	542,040
Prior year adjustment	(510)	(230,754)
Total current tax expense	<u>587,692</u>	<u>311,286</u>
Deferred tax for current year	(1,453)	13,158
Deferred tax in respect of prior year	(6,355)	92,248
Total deferred tax credit	<u>(7,808)</u>	<u>105,406</u>
Total tax expense	<u>579,884</u>	<u>416,692</u>

The tax rate used for the reconciliation is the corporate tax rate of 19% (2017: 19.25%) payable by the Company in the UK on taxable profits under UK tax law.

The charge for the year can be reconciled to the profit for the year as follows:

	2018	2017
	\$	\$
Profit before taxation	<u>2,145,812</u>	<u>2,616,977</u>
Income tax calculated at 19% (2017: 19.25%)	407,704	503,679
Effect of expenses that are not deductible	2,401	1,784
Origination and reversal of temporary differences	177,947	168,075
Prior year adjustments – current tax	(510)	(230,754)
Re-measurement of deferred tax	(7,808)	92,248
Group relief	(19,263)	(118,340)
Double taxation relief	19,413	-
Total tax expense	<u>579,884</u>	<u>416,692</u>

## Notes to the Financial Statements

For the year ended 31 December 2018

### 8. Property, plant and equipment

	Freehold property	Plant & machinery	Motor vehicles	Fixtures & fittings	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
At 1 January 2018	4,752,310	3,674,062	8,671,805	233,367	17,331,544
Additions	1,358,063	484,181	1,806,868	25,169	3,674,281
Disposals		(7,493)	(769,774)		(777,267)
<b>As at 31 December 2018</b>	<b>6,110,373</b>	<b>4,150,750</b>	<b>9,708,899</b>	<b>258,536</b>	<b>20,228,558</b>
<b>Depreciation</b>					
At 1 January 2018	1,938,596	2,179,805	4,705,116	225,252	9,048,769
Charge for the year	274,992	328,428	1,777,935	7,105	2,388,460
On disposals		(7,493)	(411,429)		(418,922)
<b>As at 31 December 2018</b>	<b>2,213,588</b>	<b>2,500,740</b>	<b>6,071,622</b>	<b>232,357</b>	<b>11,018,307</b>
<b>Net book value</b>					
As at 31 December 2018	<b>3,896,785</b>	<b>1,650,010</b>	<b>3,637,277</b>	<b>26,179</b>	<b>9,210,251</b>
As at 31 December 2017	2,813,714	1,494,257	3,966,689	8,115	8,282,775

### 9. Inventories

	2018	2017
	\$	\$
Finished goods and goods for resale	5,857,650	7,142,488

No impairment loss was recognised in the year (2017: \$nil).

### 10. Trade and other receivables

	2018	2017
	\$	\$
Trade receivables	5,245,514	5,202,190
Prepayments and accrued income	11,443	6,924
Amounts owed by group undertakings	86,367	244,233
	<b>5,343,324</b>	<b>5,453,347</b>

The amounts owed by group undertakings are unsecured, interest free and repayable by 1 January 2021.

## Notes to the Financial Statements

For the year ended 31 December 2018

### 11. Cash and cash equivalents

	2018 \$	2017 \$
Cash at bank and in hand	1,414,319	1,668,735

### 12. Trade and other payables

	2018 \$	2017 \$
Accruals and other creditors	510,694	627,086
Amounts owed to group undertakings	1,434,710	2,293,152
Other taxation and social security	74,365	278,942
	<u>2,019,769</u>	<u>3,199,180</u>

There is a floating charge over all the assets of the Company in favour of Royal Bank of Scotland.

### 13. Deferred tax asset

	2018 \$	2017 \$
At beginning of year	217,311	322,717
Utilised/(credited) during year	7,808	(105,406)
<b>At end of year</b>	<u>225,119</u>	<u>217,311</u>

The deferred tax asset is made up as follows:

	2018 \$	2017 \$
Accelerated capital allowances	182,430	175,922
Other short term timing differences	42,689	41,389
	<u>225,119</u>	<u>217,311</u>

### 14. Share capital

	2018 \$	2017 \$
<b>Allotted, called up and fully paid</b> 4,365,000 Ordinary shares of £1 each	<u>6,782,773</u>	<u>6,782,773</u>

## **Notes to the Financial Statements**

For the year ended 31 December 2018

### **15. Dividends**

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Dividends paid on equity capital	<u>1,100,000</u>	<u>1,200,000</u>

A dividend of \$0.25 per share was paid in the year (2017: \$0.27).

### **16. Capital commitments**

*At 31 December 2018 the company had capital commitments as follows:*

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Contracted for but not provided in these financial statements	<u>nil</u>	<u>2,678,644</u>

### **17. Related party transactions**

During the year the Company made sales of \$nil (2017: \$nil) and purchases of \$nil (2017: \$nil) from Darron Tool and Engineering Limited, a company in the same group. Group tax relief of \$nil (2017: \$349,094) was utilised in the year. The net balance due from Darron Tool and Engineering Limited at the year-end was \$nil (2017: \$nil) and \$nil (2017: \$nil) due to this Company.

During the year the Company made sales of \$nil (2017: \$nil), purchases of \$2,174,452 (2017: \$3,626,418) and fixed asset acquisitions of \$nil (2017: \$nil) from Schoeller-Bleckmann Oilfield Technology GMBH, a company in the same group. The balance due to Schoeller-Bleckmann Oilfield Technology GMBH at the year-end was \$ 561,209 (2017: \$1,742,435).

During the year the Company made sales of \$nil (2017: \$nil), and purchases of \$1,063,695 (2017: \$517,912) and fixed asset acquisitions of \$nil (2017: \$nil) from DSI FZE, a company in the same group. The net balance due to DSI FZE at the year-end was \$873,501 (2017: \$422,842).

During the year the Company made sales of \$nil (2017: \$nil), purchases of \$151,386 (2017: \$275,072) and fixed asset acquisitions of \$304,900 (2017: \$nil) from BICO Faster Drilling Tools Inc, a company in the same group. The balance due to BICO Faster Drilling Tools Inc at year end was \$nil (2017: \$nil).

During the year the Company made sales of \$nil (2017: \$nil) and purchases of \$639,923 (2017: \$820,586) and fixed asset acquisitions of \$nil (2017: \$nil) from BICO Drilling Tools Inc. The net balance due to BICO Drilling Tools Inc. at the year-end was \$nil (2017: \$127,825).

## **Notes to the Financial Statements**

**For the year ended 31 December 2018**

### **18. Related party transactions (continued)**

During the year the Company made sales of \$nil (2017: \$nil), purchases of \$4,520 (2017: \$nil) and fixed asset acquisitions of \$nil (2017: \$nil) from Schoeller-Bleckmann Darron Aberdeen Limited, a company in the same group. The balance due to Schoeller-Bleckmann Aberdeen Limited at the year-end was \$nil (2017: \$nil).

During the year the Company made purchases of \$nil (2017: \$nil) and incurred management charges of \$162,550 (2017: \$143,032) from Schoeller-Bleckmann Oilfield Equipment AG, the ultimate parent company. The balance due to Schoeller-Bleckmann Oilfield Equipment AG was \$nil (2017: \$nil).

At 31 December 2018, the balance due from OOO Schoeller-Bleckmann amounted to \$86,367 (2017: \$244,233). During the year the Company made purchases of \$146,487 (2017: \$82,987), from OOO Schoeller-Bleckmann.

During the year the Company made purchases of \$151,940 (2017: \$67,700), from Knust-SBD Pte Limited, a company in the same group. The balance due to Knust-SBD Pte Limited at the year-end was \$nil (2017: \$nil).

During the year the Company made sales of \$nil (2017: \$76,040) to, and purchases of \$81,129 (2017: \$nil) from Schoeller-Bleckmann Oilfield Equipment Middle East FTZ, a company in the same group. The balance due from Schoeller-Bleckmann Darron Limited at the year-end was \$nil (2017: \$nil).

During the year the Company made purchases of \$154,267 (2017: \$nil) from D-TECH (UK) Limited, a company in the same group. The balance due from D-TECH (UK) Limited at the year-end was \$nil (2017: \$nil).

### **19. Subsequent events**

There have been no significant events affecting the Company since the year end.

### **20. Ultimate parent undertaking and controlling party**

The Company's immediate parent undertaking is Schoeller-Bleckmann Oilfield Equipment (UK) Limited.

The directors consider Schoeller-Bleckmann Oilfield Equipment AG, incorporated in Austria, to be the Company's ultimate parent undertaking. Schoeller-Bleckmann Oilfield Equipment AG prepares group accounts which are available for public inspection at Handelsgericht Wr. Neustadt, 2700 Wr. Neustadt, Austria.