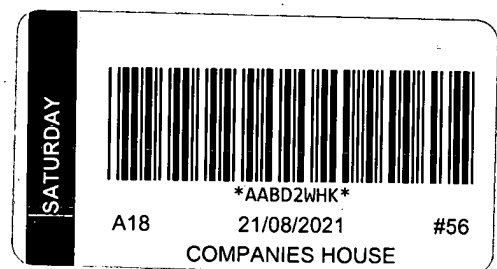


Company registration no. SC145802

Schoeller-Bleckmann Darron Limited

**Annual Report
For the year ended 31 December 2020**



Schoeller-Bleckmann Darron Limited
Annual Report

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For the year ended 31 December 2020

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Company Information

For the year ended 31 December 2020

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 2020

The directors present their Strategic Report for Schoeller-Bleckmann Darron Limited the year ended 31 December 2020.

Business Review

Revenue has increased by 12.6% to \$15.0 million from \$13.3 million. Profit before tax has decreased by 41.1% to \$1.0 million from \$1.7 million. Reasons were aggressive pricing of competitors for NM material, a reduction in BICO business due to less milling jobs for CT motors, and a competitor copying our PBL tools offering that forced us to reduce our prices by 25% in order to stay in the Russian market.

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.

Due to investments in new machinery we could offer high-tech repairs strongly requested by our customers.

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

Future developments

The Company plans to increase substantially its existing market share both in Russia and other geographical locations in the Former Soviet Union while offering additionally high precision manufacturing.

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.

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.

Strategic Report (continued)

For the year ended 31 December 2020

Covid 19 risk and impact

The Covid-19 pandemic was classified as a global pandemic by the World Health Organisation.

As yet this pandemic has had minimal impact in the branch's location and business operations are ongoing. Management are monitoring the situation but do not expect it to significantly impact operations given they operate in a key industry.

There is the risk that the pandemic impacts the operations and the government requires all businesses to close.

Brexit

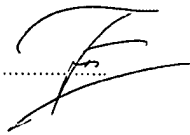
The company and branch are not impacted by the decision of the United Kingdom electorate to leave the European Union ("Brexit").

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: 3 May 2021

Directors' Report

For the year ended 31 December 2020

The directors present their report and the audited financial statements for the year ended 31 December 2020.

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 \$0.5 million (2019: \$1.2 million).

During the year an interim dividend of \$0.8 million (2019: \$0.8 million) was paid. The directors do not recommend the payment of a final dividend.

Directors

The directors who served during the year and to the date of this report 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 (2019: \$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 future developments and financial instruments.

Overseas branches

The company has a branch in the Russian Federation.

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.

Directors' Report (continued)

For the year ended 31 December 2020

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

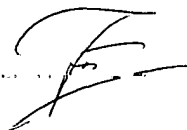
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- 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: 3 May 2021

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

For the year ended 31 December 2020

Opinion

We have audited the financial statements of Schoeller Blackmann Darron Limited (the 'company') for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position and 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, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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

For the year ended 31 December 2020

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 or the 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.

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

For the year ended 31 December 2020

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.

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 the financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the company and its industry, we identified that the principal risks of non-compliance with laws and regulations related to tax legislation, pensions legislation, employment regulation and health and safety regulation, anti-bribery, corruption and fraud, and money laundering, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements, such as the Companies Act 2006.

We evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- Discussing with the directors and management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the company which were contrary to applicable laws and regulations, including fraud.

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

For the year ended 31 December 2020

Our audit procedures in relation to fraud included but were not limited to:

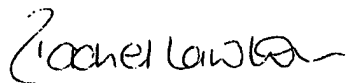
- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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. 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: 7 May 2021

Statement of Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 \$	2019 \$
Revenue	3	15,001,978	13,326,455
Cost of sales		(11,383,941)	(9,756,326)
Gross profit		<u>3,618,037</u>	<u>3,570,129</u>
Administrative expenses		(2,639,789)	(1,910,469)
Operating profit	4	<u>978,248</u>	<u>1,659,660</u>
Finance income	6	65,095	71,872
Finance costs	7	(57,381)	(58,120)
Profit before taxation		<u>985,962</u>	<u>1,673,412</u>
Taxation	8	(530,352)	(436,818)
Profit for the year attributable to owners of the Company		<u>455,610</u>	<u>1,236,594</u>
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss:</i>		-	-
<i>Items that will be reclassified to profit or loss:</i>		-	-
Total other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive income for the year attributable to owners of the Company		<u>455,610</u>	<u>1,236,594</u>

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

The notes on pages 13 to 29 form part of these financial statements.

Statement of Financial Position

As at 31 December 2020

	Notes	2020 \$	2019 \$
ASSETS			
Non-current assets			
Property, plant and equipment	9	8,428,927	9,486,965
Right-of-use assets	10	484,018	507,781
Deferred tax asset	16	191,773	241,141
		<u>9,104,718</u>	<u>10,235,887</u>
Current assets			
Inventories	11	4,677,832	5,290,789
Trade and other receivables	12	4,309,971	6,556,571
Cash and cash equivalents	13	4,390,277	1,154,840
		<u>13,378,080</u>	<u>13,002,200</u>
Total assets		<u>22,482,798</u>	<u>23,238,087</u>
LIABILITIES			
Current liabilities			
Trade and other payables	14	1,790,724	2,250,347
Current tax liabilities		112,316	66,643
Obligations under leases	10	5,579	5,954
		<u>1,908,619</u>	<u>2,322,944</u>
Non-current liabilities			
Obligations under leases	15	522,893	519,467
			<u>519,467</u>
Total liabilities		<u>2,431,512</u>	<u>2,842,411</u>
Net assets		<u>20,051,286</u>	<u>20,395,676</u>
EQUITY			
Share capital	19	6,782,773	6,782,773
Retained earnings		13,268,513	13,612,903
Total equity		<u>20,051,286</u>	<u>20,395,676</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: 3 May 2021

The notes on pages 13 to 29 form part of these financial statements.

Statement of Changes in Equity

As at 31 December 2020

	Share capital \$	Retained earnings \$	Total equity \$
At 1 January 2019	6,782,773	13,176,309	19,959,082
Profit for the year	-	1,236,594	1,236,594
Other comprehensive income	-	-	-
Total comprehensive income	-	14,412,903	21,195,676
Dividends paid	-	(800,000)	(800,000)
At 31 December 2019	6,782,773	13,612,903	20,395,676
Profit for the year	-	455,610	455,610
Other comprehensive income	-	-	-
Total comprehensive income	6,782,773	455,610	455,610
Dividends paid	-	(800,000)	(800,000)
At 31 December 2020	6,782,773	13,268,513	20,051,286

The notes on pages 13 to 29 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2020

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 2020

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.

New standards, amendments and IFRIC interpretations

There are no amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2020 that have had a material impact on the company.

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.

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 2.14.

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: RR74.04 (2019: \$1: RR62.045).

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.

Notes to the Financial Statements

For the year ended 31 December 2020

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 or provision of related services.

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 2020

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 2020

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 2020

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. Leases

All leases are accounted for in the same manner:

- A right of use asset and lease liability is recognised on the statement of financial position, initially measured at the present value of future lease payments;
- Depreciation of right-of-use assets and interest on lease liabilities are recognised in the statement of comprehensive income; and

The initial measurement of the right of use asset and lease liability takes into account the value of lease incentives such as rent free periods, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The company's lease liabilities are included in Interest-bearing loans and borrowings.

Notes to the Financial Statements

For the year ended 31 December 2020

2.14. 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 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.

Key sources of estimation uncertainty

Right-of-use assets

The interest rate used to calculate the finance charge on a right-of-use asset is the same as the interest rate used by the parent company on loans to the company. This being the cost of money to the company if it were to borrow funds to satisfy the lease obligation. The weighted average lessee's incremental borrowing rate applied was between 11% and 13%.

Notes to the Financial Statements

For the year ended 31 December 2020

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.

4. Operating profit

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

	2020	2019
		\$
Depreciation of tangible fixed assets:		
- Owned by the company	2,118,860	2,264,080
Depreciation on right of use assets	23,673	22,956
Auditor's remuneration	52,000	51,350
Auditor's remuneration – non-audit	8,800	8,800
Difference on foreign exchange income	790,133	(589,984)
Cost of stock recognised as an expense	6,721,578	4,698,083

5. Staff costs

Staff costs were as follow:

	2020	2019
	\$	\$
Wages and salaries	2,084,381	2,136,271
Social security costs	522,871	501,839
	<u>2,607,252</u>	<u>2,638,110</u>

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

	2020	2019
	No.	No.
Production	75	73
Administration	1	1
Control and accounting	5	5
Sales and marketing	13	6
Management	1	1
	<u>95</u>	<u>86</u>

Directors' remuneration of \$266,818 (2019: \$205,229) was paid in the year.

No contributions were made to a pension on behalf of a director (2019: \$nil).

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

Notes to the Financial Statements

For the year ended 31 December 2020

6. Finance income

	2020	2019
	\$	\$
Bank interest receivable	65,095	71,872

7. Finance costs

	2020	2019
	\$	\$
Interest on right-of-use assets	57,381	58,120

Notes to the Financial Statements

For the year ended 31 December 2020

8. Income tax

	2020	2019
	\$	\$
Tax for current year	480,984	452,841
Prior year adjustment	-	-
	<u>480,984</u>	<u>452,841</u>
Double taxation relief	(480,984)	(452,841)
After double taxation relief	-	-
Foreign taxation	480,984	452,840
Total current tax expense	<u>480,984</u>	<u>482,840</u>
Deferred tax for current year	(46,602)	(16,022)
Deferred tax in respect of prior year	95,970	-
Total deferred tax credit	<u>49,368</u>	<u>(16,022)</u>
Total tax expense	<u>530,352</u>	<u>436,818</u>

The tax rate used for the reconciliation is the corporate tax rate of 19% (2019: 19%) 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:

	2020	2019
	\$	\$
Profit before taxation	<u>1,012,776</u>	<u>1,673,412</u>
Income tax calculated at 19% (2019: 19%)	192,427	317,948
Effect of expenses that are not deductible	397	830
Origination and reversal of temporary differences	102,080	140,304
Prior year adjustments – deferred tax	95,970	-
Adjust closing deferred tax to average rate of 19.00%	-	28,370
Adjust opening deferred tax to average rate of 19.00%	-	(26,485)
Re-measurement of deferred tax	(21,011)	-
Group relief claimed	-	(24,148)
Foreign tax credits	160,489	(1)
Double taxation relief	-	-
Total tax expense	<u>530,352</u>	<u>436,818</u>

Notes to the Financial Statements

For the year ended 31 December 2020

9. Property, plant and equipment

	Freehold property	Plant & machinery	Motor vehicles	Fixtures & fittings	Total
	\$	\$	\$	\$	\$
Cost					
At 1 January 2020	6,516,481	4,767,988	9,971,082	245,374	21,500,925
Additions	174,130	81,339	1,252,813	37,187	1,545,469
Disposals	-	(116,557)	(947,924)	(1,640)	(1,066,121)
As at 31 December 2020	6,690,610	4,732,770	10,275,970	280,923	21,980,273
Depreciation					
At 1 January 2020	2,533,465	2,808,928	6,441,060	230,507	12,013,960
Charge for the year	422,116	412,545	1,279,618	4,582	2,118,860
On disposals	-	(116,557)	(463,278)	(1,640)	(581,475)
As at 31 December 2020	2,955,580	3,104,917	7,257,400	233,449	13,551,345
Net book value					
As at 31 December 2020	3,735,030	1,627,854	3,018,571	47,472	8,428,927
As at 31 December 2019	3,983,016	1,959,060	3,530,022	14,867	9,486,965

Notes to the Financial Statements

For the year ended 31 December 2020

10. Right-of-use assets

	Land and buildings	Total
	\$	\$
Cost		
At 1 January 2020	530,757	530,737
Additions	-	-
As at 31 December 2020	530,757	530,757
Depreciation		
At 1 January 2020	22,976	22,976
Charge for the year	23,763	23,763
As at 31 December 2020	46,739	46,739
Net book value		
As at 31 December 2020	484,018	484,018
As at 31 December 2019	507,781	507,781
	2020	2019
	\$	\$
Lease liabilities		
Current	5,579	5,954
Non-current	522,893	519,467
	528,472	525,421
	2020	2019
	\$	\$
Maturity analysis		
Due within one year	5,579	5,954
Due within two to five years	522,893	519,467
	528,472	525,421

(i) Amounts recognised in the statement of comprehensive income

	2020	2019
	\$	\$
Depreciation charge of right-of-use assets		
Land and buildings	23,763	22,956
Interest expense (included within finance costs) note 8	57,381	58,120

The total cash outflow relating to leases in the period amounted to \$54,330.

(ii) The company's leasing activities and how these are accounted for

The company leases apartments and computer equipment. Rental contracts are typically made for fixed periods of 1 year, but may have extension options.

Notes to the Financial Statements

For the year ended 31 December 2020

10. Rights-of-use assets (continued)

Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- amounts expected to be payable by the company under residual value guarantee
- the exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the company revalue its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the company.

Notes to the Financial Statements

For the year ended 31 December 2020

11. Inventories

	2020	2019
	\$	\$
Finished goods and goods for resale	4,677,832	5,290,789

An impairment loss of \$76,893 was recognised in the year (2019: \$120,810).

12. Trade and other receivables

	2020	2019
	\$	\$
Trade receivables	4,174,937	6,441,744
Prepayments and accrued income	43,342	17,905
Other debtors	25,984	-
Amounts owed by group undertakings	65,708	96,922
	<u>4,309,971</u>	<u>6,556,571</u>

Trade debtors is stated net of a provision of \$156,836 (2019: \$616,743)

The amounts owed by group undertakings are unsecured, interest free and repayable on demand.

13. Cash and cash equivalents

	2020	2019
	\$	\$
Cash at bank and in hand	4,390,277	1,154,840

14. Trade and other payables

	2020	2019
	\$	\$
Current liabilities		
Accruals and other creditors	408,233	388,873
Amounts owed to group undertakings	1,137,621	1,596,698
Other taxation and social security	244,870	264,777
	<u>1,790,724</u>	<u>2,250,348</u>

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

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

Notes to the Financial Statements

For the year ended 31 December 2020

15. Obligation under leases

	2020	2019
	\$	\$
Non-current liabilities		
Obligation under leases	522,893	519,467
	<u>522,893</u>	<u>519,467</u>

16. Deferred tax asset

	2020	2019
	\$	\$
At beginning of year	241,141	225,119
Utilised during year	(49,368)	16,022
At end of year	<u>191,773</u>	<u>241,141</u>

The deferred tax asset is made up as follows:

	2020	2019
	\$	\$
Accelerated capital allowances	106,498	177,915
Other short term timing differences	85,275	63,226
	<u>191,773</u>	<u>241,141</u>

17. Share capital

	2020	2019
	\$	\$
Allotted, called up and fully paid		
4,365,000 Ordinary shares of £1 each	<u>6,782,773</u>	<u>6,782,773</u>

The company has one class of shares; each share carries one voting right per share but no right to fixed income.

18. Dividends

	2020	2019
	\$	\$
Dividends paid on equity capital	<u>800,000</u>	<u>800,000</u>

Notes to the Financial Statements

For the year ended 31 December 2020

19. Contingent liabilities

The Company has entered into an intercompany guarantee with its bank for all amounts due from Darron Tool & Engineering (Sheffield) Limited, Schoeller-Bleckmann Oilfield Equipment (UK) Limited and Schoeller-Bleckmann Darron Limited.

20. Capital commitments

At 31 December 2020 the company had capital commitments as follows:

	2020	2019
	\$	\$
Contracted for but not provided in these financial statements	nil	nil

21. Related party transactions

During the year the Company made sales of \$nil (2019: \$nil), purchases of \$3,525,111 (2019: \$2,368,531) and fixed asset acquisitions of \$nil (2019: \$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 \$561,286 (2019: \$1,253,845).

During the year the Company made sales of \$nil (2019: \$nil), purchases of \$694,922, (2019: \$404,114), fixed asset purchases of \$584,406 (2019: \$nil) and royalties of \$742,796 (2019: \$nil) from Drilling Services International Limited, a company in the same group. The net balance due to Drilling Services International Limited at the year-end was \$171,599 (2019: \$325,980).

During the year the Company made sales of \$nil (2019: \$nil), purchases of \$371,897 (2019: \$116,557) and fixed asset acquisitions of \$nil (2019: \$1,038,000) 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 \$67,563 (2019: \$16,193).

During the year the Company made sales of \$nil (2019: \$nil) and purchases of \$nil (2019: \$41,187) and fixed asset acquisitions of \$nil (2019: \$nil) from BICO Drilling Tools Inc. The net balance due to BICO Drilling Tools Inc. at the year-end was \$nil (2019: \$nil).

During the year the Company made sales of \$nil (2019: \$nil), purchases of \$nil (2019: \$nil) and fixed asset acquisitions of \$nil (2019: \$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 (2019: \$680).

During the year the Company made purchases of \$nil (2019: \$nil) and incurred management charges of \$150,020 (2019: \$132,742) from Schoeller-Bleckmann Oilfield Equipment AG, the ultimate parent company. The balance due to Schoeller-Bleckmann Oilfield Equipment AG was \$26,909 (2019: \$nil).

At 31 December 2019, the balance due from OOO Schoeller-Bleckmann amounted to \$54,145 (2019: \$96,922). During the year the Company made purchases of \$54,330 (2019: \$65,311), from OOO Schoeller-Bleckmann.

Notes to the Financial Statements

For the year ended 31 December 2020

21. Related party transactions (continued)

During the year the Company made purchases of \$76,500 (2019: \$nil), 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 (2019: \$nil).

During the year the Company made sales of \$nil (2019: \$nil) to, and purchases of \$nil (2019: \$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 \$453 (2019: \$nil).

During the year the Company made purchases of \$19,054 (2019: \$72,741) from Schoeller-Bleckmann Oilfield Equipment Vietnam Co. Ltd, a company in the same group. The balance due from Schoeller-Bleckmann Oilfield Equipment Vietnam Co. Ltd at the year-end was \$11,563 (2019: \$nil).

During the year the Company made asset and freight purchases of \$345,000 (2019: \$296,307) from The Wellboss Company, a company in the same group. The balance due from The Wellboss Company at the year-end was \$309,811 (2019: \$nil).

22. Subsequent events

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

23. 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, 200 Wr. Neustadt, Austria. The smallest and largest group of undertakings for which group accounts are drawn up and of which the company is included is the group headed by Schoeller-Bleckmann Oilfield Equipment AG.