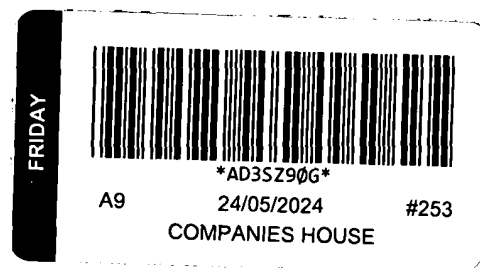


Company registration no. SC145802

**Schoeller-Bleckmann Darron Limited**

**Annual Report  
For the year ended 31 December 2021**



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

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For the year ended 31 December 2021

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## **Company Information**

For the year ended 31 December 2021

### **DIRECTORS**

M Fosleitner (until 25 October 2021)

G Grohmann (until 6 July 2022)

K Mader (until 6 July 2022)

C MacPherson (until 6 July 2022)

V Yuryevich Fedyaev (since 25 November 2021)

### **COMPANY SECRETARY**

Stronachs Secretaries Limited

### **REGISTERED OFFICE**

Unit 47

Howe Moss Terrace

Kirkhill Industrial Estate

Dyce

Aberdeen

AB21 0GR

### **COMPANY NUMBER**

SC145802

## **Strategic Report**

**For the year ended 31 December 2021**

The directors present their Strategic Report for Schoeller-Bleckmann Darron Limited the year ended 31 December 2021.

### **Business Review**

Revenue has decreased by 27.6% to \$10.9 million from \$15.0 million. Profit before tax has decreased by 115% to \$-0.1 million from \$1.0 million.

Reasons of sales decrease – NM sales decreased by almost 50% because no big tenders were won in 2020 for 2021, workshop sales decreased by 40% mostly because of two reasons – COVID-19 impact and workshop headcount reduction due to retirement. Replacement is ongoing, but it is quite challenging on local labor market.

Reasons of losses – Low sales could not cover fixed costs, and overheads was 20% higher than in prior 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.

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.

Research and development of diversified markets became one of a strategic priority of the Company.

### **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.

Nowadays political risks came to the fore and became decisive in determining the strategy for further development.

### **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 program 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.

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

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### **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 2021 there were not significant operational challenges due to the ongoing political situation compared to 2020. Sanctions were the same as in previous years.

In February 2022, the President of the Russian Federation signed decrees recognizing the independence of the Donetsk and Lugansk Independent Republics (hereinafter: LPR and DPR). This decision, along with the decision to conduct a Special Military Operation in the LPR and DPR, led to an escalation of the military conflict in Ukraine. The escalation of the conflict, the growing tension between countries on the world stage has led to a sharp and significant decline in the quotations of Russian stocks, bonds, indices on Russian stock exchanges and a sharp increase in the volatility of the exchange rates of major currencies against the ruble.

Extensive sanctions have been imposed by the United States of America, the European Union and other countries. These sanctions are aimed at significantly limiting Russia's participation in the global economy, access to high-tech goods and developments. In addition, a restriction was imposed on the use of part of the gold and foreign exchange reserves by the Bank of Russia, which radically changed the conditions for the Russian economy.

The additional sanctions introduced are not final and will continue to be supplemented, including an increase in the number of banks under sanctions, a ban on the supply of equipment for other sectors of the Russian economy (related to the aviation, military, oil refining industries), a further restriction of funds on accounts abroad for individuals and legal entities and the termination of business with Russia

Since March 2022 the Russian Federation has imposed restrictions on the withdrawal of funds by non-residents abroad. Since then the cash on the Company's accounts in bank can't be transferred from Russia and will be kept there until further changes in currency control politics in Russia are in place.

The exchange rate of the Bank of Russia ranged from 51.1580 to 120.3785 rubles per US dollar and from 53.858 to 132.9581 rubles per euro. The key rate of the Bank of Russia increased from 8.5% to 9.5% in early 2022, and then it was increased to 20% in February, followed by a stepwise decrease to 9.5% by June 30, 2022

UK and EU sanctions made further import of raw materials and spare parts from EU and UAE almost impossible. Russian restrictions made it impossible for non-residents to pay abroad.

Despite the political situation, all our main customers have remained in Russia and continue to place orders, providing us with revenue according to the budget approved in 2021. Stock in warehouses, the open wind-down period for import from EU and the sanctions relief for certain products allow the Company to work without a shortage of materials.

## **Strategic Report (continued)**

For the year ended 31 December 2021

### **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.

In 2021 there were several cases of Covid-19 infection, with one full lock down for 3 weeks.

Management is monitoring the situation and takes all required measures to avoid such situations in future.

### **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.



**V Yuryevich Fedyaev**  
**Director**

Date: 30 September 2022

## **Directors' Report**

**For the year ended 31 December 2021**

The directors present their report and the unaudited financial statements for the year ended 31 December 2021.

### **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 loss for the year, after taxation, amounted to \$-0.1 million (2020: profit \$0.5 million).

During the year 2021 an interim dividend of \$0.0 million (2020: \$0.8 million) was paid. The directors do not recommend the payment of a final dividend.

### **Directors**

The directors who served during the year 2021 were:

M Fosleitner (until 25 October 2021)

G Grohmann (until 6 July 2022)

K Mader (until 6 July 2022)

C MacPherson (until 6 July 2022)

V Yuryevich Fedyaev (since 25 November 2021)

The directors who served to the date of this report were:

V Yuryevich Fedyaev (since 25 November 2021)

D Nevskaya (since 8 August 2022)

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 (2020: \$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 2021

### **Directors' Responsibilities Statement**

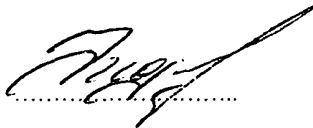
The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

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.



**V Yuryevich Fedyaev**

Director

Date: 30 September 2022

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

**Statement of Comprehensive Income**

For the year ended 31 December 2021

	Notes	2021 \$	2020 \$
Revenue	3	10,864,802	15,001,978
Cost of sales		(8,749,701)	(11,383,941)
<b>Gross profit</b>		<u>2,115,101</u>	<u>3,618,037</u>
Administrative expenses		<u>(2,272,300)</u>	<u>(2,639,789)</u>
<b>Operating profit</b>	4	(157,199)	978,248
Finance income	6	71,888	65,095
Finance costs	7	<u>(57,877)</u>	<u>(57,381)</u>
<b>Profit before taxation</b>		(143,188)	985,962
Taxation	8	<u>(2,052)</u>	<u>(530,352)</u>
<b>Profit for the year attributable to owners of the Company</b>		<u>(145,240)</u>	<u>455,610</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>(145,240)</u>	<u>455,610</u>

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

The notes on pages 10 to 26 form part of these financial statements.

## Statement of Financial Position

As at 31 December 2021

	Notes	2021 \$	2020 \$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	9	7,084,642	8,428,927
Right-of-use assets	10	460,255	484,018
Deferred tax asset	16	453,901	191,773
		<u>7,998,798</u>	<u>9,104,718</u>
<b>Current assets</b>			
Inventories	11	5,331,798	4,677,832
Trade and other receivables	12	3,999,898	4,309,971
Cash and cash equivalents	13	5,910,838	4,390,277
		<u>15,242,534</u>	<u>13,378,080</u>
<b>Total assets</b>		<u>23,241,332</u>	<u>22,482,798</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	2,707,608	1,790,724
Current tax liabilities		104,595	112,316
Obligations under leases	10	6,225	5,579
		<u>2,818,428</u>	<u>1,908,619</u>
<b>Non-current liabilities</b>			
Obligations under leases	15	516,858	522,893
<b>Total liabilities</b>		<u>3,335,286</u>	<u>2,431,512</u>
<b>Net assets</b>		<u>19,906,046</u>	<u>20,051,286</u>
<b>EQUITY</b>			
Share capital	19	6,782,773	6,782,773
Retained earnings		13,123,273	13,268,513
<b>Total equity</b>		<u>19,906,046</u>	<u>20,051,286</u>

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

Valery Yuryevich Fedyaev

Director

Date: 30 September 2022



The notes on pages 10 to 26 form part of these financial statements.

## Statement of Changes in Equity

As at 31 December 2021

	Share capital	Retained earnings	Total equity
	\$	\$	\$
At 1 January 2020	6,782,773	13,612,903	20,395,676
Profit for the year	-	455,610	455,610
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	<b>6,782,773</b>	<b>14,068,513</b>	<b>20,851,286</b>
Dividends paid	-	(800,000)	(800,000)
<b>At 31 December 2020</b>	<b>6,782,773</b>	<b>13,268,513</b>	<b>20,051,286</b>
Profit for the year	-	(145,240)	(145,240)
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	<b>6,782,773</b>	<b>13,123,273</b>	<b>19,906,046</b>
Dividends paid	-	-	-
<b>At 31 December 2021</b>	<b>6,782,773</b>	<b>13,123,273</b>	<b>19,906,046</b>

The notes on pages 10 to 26 form part of these financial statements.

## Notes to the Financial Statements

For the year ended 31 December 2021

### 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 2021

### 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 2021 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: RR70.34 (2020: \$1: RR74,04).

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 recognized in the statement of comprehensive income.

## **Notes to the Financial Statements**

**For the year ended 31 December 2021**

### **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 2021.

### 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 2021

### **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 2021

### **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 2021**

### **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 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.

#### **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 2021

### 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):

	2021	2020
		\$
Depreciation of tangible fixed assets:		
- Owned by the company	2,080,511	2,118,860
Depreciation on right of use assets	23,763	23,673
Auditor's remuneration	23,500	52,000
Auditor's remuneration – non-audit	9,832	8,800
Difference on foreign exchange income/loss	-23,650	790,133
Cost of stock recognised as an expense	<u>4,231,476</u>	<u>6,721,578</u>

### 5. Staff costs

Staff costs were as follow:

	2021	2020
	\$	\$
Wages and salaries	2,370,781	2,084,381
Social security costs	647,095	522,871
	<u>3,017,876</u>	<u>2,607,252</u>

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

	2021	2020
	No.	No.
Production	73	75
Administration	2	1
Control and accounting	5	5
Sales and marketing	12	13
Management	1	1
	<u>93</u>	<u>95</u>

Directors' remuneration of \$381,496 (2020: \$266,818) was paid in the year.

No contributions were made to a pension on behalf of a director (2020: \$nil).

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

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**Notes to the Financial Statements**

For the year ended 31 December 2021

**6. Finance income**

	2021	2020
	\$	\$
Bank interest receivable	71,888	65,095

**7. Finance costs**

	2021	2020
	\$	\$
Interest on right-of-use assets	57,877	57,381

## Notes to the Financial Statements

For the year ended 31 December 2021

### 8. Income tax

	2021 \$	2020 \$
Tax for current year	261,255	480,984
Prior year adjustment	(977)	-
	<u>260,278</u>	<u>480,984</u>
Double taxation relief	(245,918)	(480,984)
After double taxation relief	-	-
Foreign taxation	245,918	480,984
Total current tax expense	<u>260,278</u>	<u>480,984</u>
Deferred tax for current year	(148,462)	(46,602)
Deferred tax in respect of prior year	(109,764)	95,970
Total deferred tax credit	<u>(258,226)</u>	<u>49,368</u>
Total tax expense	<u>2,052</u>	<u>530,352</u>

The tax rate used for the reconciliation is the corporate tax rate of 19% (2020: 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:

	2021 \$	2020 \$
Profit before taxation	<u>-143 188</u>	<u>985 962</u>
Income tax calculated at 19% (2020: 19%)	-27 206	187 333
Effect of expenses that are not deductible	3 491	5 492
Origination and reversal of temporary differences	104 896	102 080
Prior year adjustments – current tax	977	0
Prior year adjustments – deferred tax	-110 741	95 970
Adjust opening deferred tax to average rate of 19.00%	(276)	-
Re-measurement of deferred tax	-108 000	-21 011
Foreign tax credits	<u>138 911</u>	<u>160 489</u>
Total tax expense	<u>2 052</u>	<u>530 352</u>

## Notes to the Financial Statements

For the year ended 31 December 2021

### 9. Property, plant and equipment

	Freehold property	Plant & machinery	Motor vehicles	Fixtures & fittings	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
At 1 January 2021	6 690 610	4 732 770	10 275 970	280 923	21 980 273
Additions	0	86 251	734 319	72 280	892 850
Disposals	0	0	(716 909)	0	(716 909)
<b>As at 31 December 2021</b>	<b>6 690 610</b>	<b>4 819 021</b>	<b>10 293 380</b>	<b>353 203</b>	<b>22 156 214</b>
<b>Depreciation</b>					
At 1 January 2021	2 955 580	3 104 917	7 257 400	233 449	13 551 346
Charge for the year	404 773	581 007	1 075 854	18 877	2 080 511
On disposals	0	0	(560 285)	0	(560 285)
<b>As at 31 December 2021</b>	<b>3 360 353</b>	<b>3 685 924</b>	<b>7 772 969</b>	<b>252 326</b>	<b>15 071 572</b>
<b>Net book value</b>					
As at 31 December 2021	3 330 257	1 133 097	2 520 411	100 877	7 084 642
As at 31 December 2020	3 735 030	1 627 854	3 018 571	47 472	8 428 927

## Notes to the Financial Statements

For the year ended 31 December 2021

### 10. Right-of-use assets

	Land and buildings	Total
	\$	\$
<b>Cost</b>		
At 1 January 2021	530,757	530,737
Additions	-	-
<b>As at 31 December 2021</b>	<u>530,757</u>	<u>530,757</u>
<b>Depreciation</b>		
At 1 January 2021	46,739	46,739
Charge for the year	23,763	23,763
<b>As at 31 December 2021</b>	<u>70,502</u>	<u>70,502</u>
<b>Net book value</b>		
As at 31 December 2021	460,255	460,255
As at 31 December 2020	<u>484,018</u>	<u>484,018</u>
	<b>2021</b>	<b>2020</b>
	\$	\$
<b>Lease liabilities</b>		
Current	6,225	5,579
Non-current	516,858	522,893
	<u>523,083</u>	<u>528,472</u>
	<b>2021</b>	<b>2020</b>
	\$	\$
<b>Maturity analysis</b>		
Due within one year	6,225	5,579
Due within two to five years	516,858	522,893
	<u>523,083</u>	<u>528,472</u>

(i) Amounts recognised in the statement of comprehensive income

	2021	2020
	\$	\$
<b>Depreciation charge of right-of use assets</b>		
Land and buildings	23,763	23,763
Interest expense (included within finance costs) note 8	57,877	57,381
	<u>81,640</u>	<u>81,144</u>

The total cash outflow relating to leases in the period amounted to \$63,456.

(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 2021

### 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 2021

### 11. Inventories

	2021	2020
	\$	\$
Finished goods and goods for resale	5,331,798	4,677,832

An impairment loss of \$48,189 was recognised in the year (2020: \$76,893).

### 12. Trade and other receivables

	2021	2020
	\$	\$
Trade receivables	3,762,738	4,174,937
Prepayments and accrued income	196,413	43,342
Other debtors	366	25,984
Amounts owed by group undertakings	40,381	65,708
	<u>3,999,898</u>	<u>4,309,971</u>

Trade debtors is stated net of a provision of \$18,576 (2020: \$156,836)

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

### 13. Cash and cash equivalents

	2021	2020
	\$	\$
Cash at bank and in hand	5,910,838	4,390,277

### 14. Trade and other payables

	2021	2020
	\$	\$
<b>Current liabilities</b>		
Trade payables	90,704	-
Accruals and other creditors	500,525	408,233
Amounts owed to group undertakings	1,851,146	1,137,62
Other taxation and social security	265,234	244,870
	<u>2,707,609</u>	<u>1,790,724</u>

There is a floating charge over all the assets of the Company in favor 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 2021

### 15. Obligation under leases

	2021	2020
	\$	\$
Non-current liabilities		
Obligation under leases	516,858	522,893
	<u>516,858</u>	<u>522,893</u>

### 16. Deferred tax asset

	2021	2020
	\$	\$
At beginning of year	191,773	241,141
Utilised during year	262,128	(49,368)
At end of year	<u>453,901</u>	<u>191,773</u>

The deferred tax asset is made up as follows:

	2021	2020
	\$	\$
Accelerated capital allowances	314,278	106,498
Other short term timing differences	139,623	85,275
	<u>453,901</u>	<u>191,773</u>

### 17. Share capital

	2021	2020
	\$	\$
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

	2021	2020
	\$	\$
Dividends paid on equity capital	<u>-</u>	<u>800,000</u>

## **Notes to the Financial Statements**

For the year ended 31 December 2021

### **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 2021 the company had capital commitments as follows:*

	2021	2020
	\$	\$
Contracted for but not provided in these financial statements	nil	nil

### **21. Related party transactions**

During the year the Company made sales of \$nil (2020: \$nil), purchases of \$3,354,709 (2020: \$3,525,111) 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 \$988,867 (2020: \$561,286).

During the year the Company made sales of \$nil (2020: \$nil), purchases of \$332,885 (2020: \$694,922), fixed asset purchases of \$87,996 (2020: \$584,406) and royalties of \$645,394 (2019: \$742,796) 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 \$361,737 (2020: \$171,599).

During the year the Company made sales of \$nil (2020: \$nil), purchases of \$ 578,155 (2020: \$371,897) 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 \$449,470 (2020: \$67,563).

During the year the Company made purchases and incurred management charges of \$108,650 (2020: \$150,020) from Schoeller-Bleckmann Oilfield Equipment AG, the ultimate parent company. The balance due to Schoeller-Bleckmann Oilfield Equipment AG was \$28,770 (2020: \$26,909).

At 31 December 2021, the balance due from OOO Schoeller-Bleckmann amounted to \$40,381 (2020: \$54,145). During the year the Company made purchases of \$54,382 (2019: \$54,330), from OOO SchoellerBleckmann. The balance due to OOO Schoeller-Bleckmann was \$10,768 (2020: \$nil).

During the year the Company made purchases of \$nil (2020: 76,500), from Knust-SBD Pte Limited, a company in the same group.

During the year the Company made sales of \$nil (2020: \$nil) to, and purchases of \$nil (2020: \$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 (2020: \$453).

During the year the Company made purchases of \$nil (2020: \$19,054) 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 \$nil (2020: \$11,563).

During the year the Company made asset and freight purchases of \$nil (2020: \$345,000) from The Wellboss Company, a company in the same group. The balance due from The Wellboss Company at the year-end was \$nil (2020: \$309,811).

## **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, 2700 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.