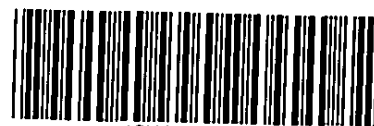


**SMITH INTERNATIONAL (NORTH SEA)
LIMITED**

Report and Financial Statements

31 December 2009

WEDNESDAY



SWM8VRW

SCT

09/02/2011

114

COMPANIES HOUSE

SMITH INTERNATIONAL (NORTH SEA) LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Directors' responsibilities statement	4
Independent auditors' report	5
Profit and loss account	6
Statement of total recognised gains and losses	7
Balance sheet	8
Notes to the financial statements	9

SMITH INTERNATIONAL (NORTH SEA) LIMITED

REPORT AND FINANCIAL STATEMENTS 2009

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G A Bruce (resigned 30 June 2009)
M K Dorman (resigned 16 October 2009)
R J Bruce
L Barr
B Dudman
E Hendry (appointed 30 June 2009)

SECRETARY

E Hendry

REGISTERED OFFICE

c/o Schlumberger Oilfield UK Plc
Victory House,
Churchill Court,
Manor Royal,
Crawley,
West Sussex
RH 10 9LU

BANKERS

Royal Bank of Scotland plc
Corporate & Commercial Banking
1 Albyn Place
Aberdeen
AB10 1BR

SOLICITORS

McGrigors LLP
Johnstone House
52-54 Rose Street
Aberdeen
AB10 1UD

INDEPENDENT AUDITORS

Deloitte LLP
Aberdeen

SMITH INTERNATIONAL (NORTH SEA) LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2009

ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company continues to be the provision of specialised services and the sale, rental, repair and testing of equipment in connection with drilling, exploration and development work for the oil and gas industry

The company continues to invest in technology, equipment and personnel. The directors expect that earnings will reduce as a result of continued decline in market conditions and decision to withdraw from activities in the Middle East. The directors regard such investment as necessary for the continued success in the medium to long term future of the business.

As shown in the company's profit and loss account on page 6, sales have decreased by 4.5% (2008: increase of 7%). The sales decline is attributed to the decrease in revenues from certain international branches.

The company's operations are driven principally by the level of exploration and production spending of major oil and gas customers and as such, we consider the main risk for the future as being a continued weakness in the oil price, together with competitor response regarding our current market share. However, we have already taken steps to ensure that we maintain our competitiveness in our markets.

Smith International (North Sea) Limited is part of the Smith group and further details and KPI's of the group's performance can be found in the Annual Report of Smith International Inc., which does not form part of this report.

The company's key measurement of effectiveness of its operations is gross profit margin. The company achieved a gross profit margin of 24% (2008: 31%). The decline in margin is attributed to the decrease in revenue from certain international locations which were generating higher margins.

In the year, the company continued to operate its branches in Angola, Kazakhstan, South Africa and Oman. Due to low activity in certain Middle East branches, the company is in the process of closing certain locations.

DIVIDENDS

The profit for the year after taxation was £5,014,000 (2008: £12,258,000).

Dividends paid during 2009 amounted to £5,636,000 (2008: nil).

FINANCIAL INSTRUMENTS AND CREDIT RISK

Information on the financial risks of the company's financial instruments is set out below.

Credit Risk

The company's principal financial assets are bank balances and cash, and trade and other debtors. The company deals mainly with major international oil companies, and also uses letter of credit arrangements and actively monitors outstanding debtors to manage credit risk. The credit risk on liquid funds is considered to be limited because the counter-parties are banks with credit ratings assigned by international credit-rating agencies.

Interest Rate Risk

The company is exposed to interest rate risk on its interest bearing assets and liabilities. The company manages the interest rate risk by placing its deposits on a short term basis with banks. The parent company operates a group treasury function and the company does not use derivative financial instruments.

SMITH INTERNATIONAL (NORTH SEA) LIMITED

DIRECTORS' REPORT (CONTINUED)

FINANCIAL INSTRUMENTS AND CREDIT RISK (CONTINUED)

Liquidity Risk

The company's principal financial assets are bank balances and cash, trade and other receivables. The company's credit risk is primarily attributable to its trade receivables. The company manages its trade receivables through regular review of outstanding balances. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The company's terms of sale are governed by contracts with customers with terms and conditions appropriate for the industry.

GOING CONCERN

Group funding and a bank overdraft facility is utilised in order to maintain sufficient funds for ongoing operations and future developments. After making enquiries the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adaptation of the going concern basis can be found at Note 1 to the financial statements.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

DIRECTORS

The current directors of the company are set out on page 1. On 30 June 2009, G A Bruce resigned as a director of the company and as company secretary and E G Hendry was appointed as a director of the company and as company secretary. On 16 October 2009, M K Dorman resigned as a director of the company.

AUDITORS

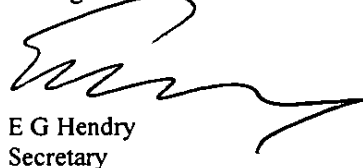
In the case of each of the persons who are directors of the company at the date this report was approved

- so far as each of the directors is aware, there is no relevant audit information, of which the company's auditors are unaware, and
- each of the directors has taken all the steps that they ought to take as directors make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



E G Hendry
Secretary

04 February 2011

SMITH INTERNATIONAL (NORTH SEA) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 and disclose with reasonable accuracy at any time the financial position of the company and 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SMITH INTERNATIONAL (NORTH SEA) LIMITED

We have audited the financial statements of Smith International (North Sea) Limited for the year ended 31 December 2009 which comprise the profit and loss account, the statement of total recognised gains and loss, the balance sheet and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Basis of audit opinion

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31st December 2009 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Graeme Sheils (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Aberdeen, United Kingdom

4 February 2011

SMITH INTERNATIONAL (NORTH SEA) LIMITED

PROFIT AND LOSS ACCOUNT

Year Ended 31 December 2009

	Note	2009 £'000	2008 £'000
TURNOVER	2	66,577	69,756
Cost of sales		(50,371)	(46,158)
GROSS PROFIT		16,206	23,598
Other operating expenses (net)	3	(12,355)	(9,210)
OPERATING PROFIT	5	3,851	14,388
Profit on sale of tangible fixed assets		260	1,266
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		4,111	15,654
Income from shares in group undertakings		2,445	-
Interest receivable and similar income	6	37	258
Interest payable	7	(54)	(90)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		6,539	15,822
Tax on profit on ordinary activities	8	(1,525)	(3,564)
PROFIT FOR THE FINANCIAL YEAR	19	5,014	12,258

All of the results in the year relate to continuing operations

SMITH INTERNATIONAL (NORTH SEA) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Profit for the financial year	19	5,014	12,258
(Loss)/profit on foreign currency translation		(513)	1,449
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		4,501	13,707

SMITH INTERNATIONAL (NORTH SEA) LIMITED

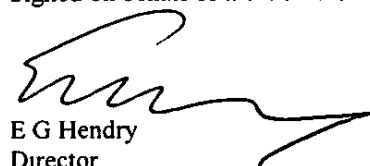
BALANCE SHEET

As at 31 December 2009

	Note	2009 £'000	2008 £'000
FIXED ASSETS			
Tangible assets	11	6,727	7,831
Investments	12	13,579	13,579
		<u>20,306</u>	<u>21,410</u>
CURRENT ASSETS			
Stocks	13	11,785	13,545
Debtors	14	34,805	42,564
Cash at bank in hand		2,610	1,140
		<u>49,200</u>	<u>57,249</u>
CREDITORS: amounts falling due within one year	15	<u>(24,760)</u>	<u>(34,451)</u>
NET CURRENT ASSETS		<u>24,440</u>	<u>22,798</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>44,746</u>	<u>44,208</u>
CREDITORS: amounts falling due after more than one year	16	(2,007)	-
PROVISIONS FOR LIABILITIES	17	<u>(42)</u>	<u>(374)</u>
NET ASSETS		<u>42,697</u>	<u>43,834</u>
CAPITAL AND RESERVES			
Called up share capital	18	1,251	1,251
Capital reserve	19	900	900
Capital contribution	19	7,199	7,199
Share premium	19	5,612	5,612
Profit and loss account	19	27,735	28,872
SHAREHOLDERS' FUNDS	20	<u>42,697</u>	<u>43,834</u>

These financial statements of Smith International (North Sea) Limited, registered number 02533968 were approved by the Board of Directors on 24 February 2011

Signed on behalf of the Board of Directors


E G Hendry
Director

SMITH INTERNATIONAL (NORTH SEA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards in the United Kingdom. The principal accounting policies adopted are described below. These have been applied consistently throughout the current and preceding year.

Accounting convention

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards in the United Kingdom.

Under the provisions of section 400 of the Companies Act 2006 and in accordance with paragraphs 21b and 21c of Financial Reporting Standard 2, the company is exempt from preparing consolidated financial statements by virtue of the fact that it is a wholly owned subsidiary undertaking of Smith International Inc, (note 25) who prepare consolidated financial statements. The financial statements therefore present information about the company as an individual undertaking and not as a group.

Going Concern

The financial statements are prepared on a going concern basis.

The company's activities are not unduly dependent on a small number of customers and it provides a range of products and services to the oil and gas industry. The financial position of the company is set out in the profit and loss account and balance sheet on pages 6 and 8 respectively.

The company meets its day-to-day working capital requirements through expected positive cash flows on its own account. When required, the company also has access to financial resources provided through group funding arrangements. The company's forecasts and projections show that the company should be able to operate within the level of its current facility. The directors believe the company is well placed to manage its business risks and have a reasonable expectation that the company has adequate financial resources to continue in operational existence for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparing the financial statements.

Cash flow statement

The company has taken advantage of the exemption in FRS1 to dispense with the requirement to include a cash flow statement in its financial statements, as its financial statements are incorporated into those of Smith International Inc, which are publicly available (note 25).

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The annual rates of depreciation are as follows:

Plant and machinery	Over 3-10 years
Leasehold buildings	Over a period not exceeding the lease
Rental tools	Over 3-7 years

Investments

Fixed asset investments are shown at cost, less amounts written off and any provision for impairment.

Stocks

Stocks and work-in-progress are stated at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition is based on:

Raw materials and consumables	Purchase cost on a first-in, first-out basis
Work in progress and finished goods	Cost of direct materials and labour plus a proportion of manufacturing overheads based on normal levels of activity

SMITH INTERNATIONAL (NORTH SEA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

1. ACCOUNTING POLICIES (CONTINUED)

Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Share-based payment

The company has applied the requirements of FRS 20 share-based payment. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006.

The group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest and adjusted for the non market-based vesting conditions.

Fair value is measured by use of an open form (lattice) pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised on acquisition and depreciated over the shorter of the lease term and their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to income in equal annual amounts over the lease term.

Pension costs

The company operates a defined contribution scheme. Contributions to the scheme are charged to the profit and loss account when payable. Differences between contributions payable in the year and contributions paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to sterling at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

SMITH INTERNATIONAL (NORTH SEA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

1. ACCOUNTING POLICIES (CONTINUED)

Foreign currency (continued)

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of opening net assets and the results of operations are reported in the statement of total recognised gains and losses.

Research and development

Research and development expenditure is written off to the profit and loss account as incurred.

2. TURNOVER

Turnover represents the value of goods and services provided in the normal course of business, net of trade discounts, VAT and other related services. Turnover is recognised on the supply of the particular good or service. Turnover relating to rental tools is recognised over the hire period.

Analysis of turnover and profit before taxation has been omitted on the grounds that disclosure of such information could be prejudicial to the interests of the company.

3. OTHER OPERATING EXPENSES (NET)

	2009 £'000	2008 £'000
Administrative expenses	3,416	3,441
Selling and marketing expenses	7,858	6,399
Other operating expenses	1,081	(630)
	<u>12,355</u>	<u>9,210</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' emoluments

	2009 £'000	2008 £'000
Emoluments	464	538
Company contributions to money purchase schemes	20	14
	<u>484</u>	<u>552</u>

Share options

The number of directors who exercised share options in the year was Nil (2008 – one).

Highest paid director

Directors' remuneration includes the following in respect of the highest paid director

	2009 £'000	2008 £'000
Emoluments	198	295
Company contributions to money purchase schemes	6	-
	<u>204</u>	<u>295</u>

SMITH INTERNATIONAL (NORTH SEA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

Pensions

The number of directors who were members of pension schemes was as follows

	2009 Number	2008 Number
Money purchase scheme	4	2

Staff costs during the year (including directors)	2009 £'000	2008 £'000
Wages and salaries, including share-based payment	14,809	15,727
Social security costs	1,544	1,377
Pension costs	1,103	1,067
	17,456	18,171

The average monthly number of persons (including directors) employed during the year was as follows

	2009 Number	2008 Number
Production	192	197
Administration and management	117	127
	309	324

5. OPERATING PROFIT

	2009 £'000	2008 £'000
Operating profit is after charging/(crediting):		
Depreciation and amortisation		
Owned assets	1,834	2,064
Finance leases	9	9
Research and development	82	47
Operating lease payments		
Land and buildings	1,175	941
Other	96	101
Auditors' remuneration		
- Audit	100	100
- Non-audit services	-	-
Gain on foreign currency translation	(475)	(1,395)

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2009 £'000	2008 £'000
Interest receivable	37	258

SMITH INTERNATIONAL (NORTH SEA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2009 £'000	2008 £'000
On bank loans, overdrafts and other loans repayable within five years	54	90

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2009 £'000	2008 £'000
Current tax		
UK corporation tax	545	2,924
Foreign tax	522	1,626
	1,067	4,550
Adjustment in respect of prior years		
- UK corporation tax	(571)	(1,022)
- Foreign tax	1,361	94
	1,857	3,622
Deferred tax		
- Origination and reversal of timing differences	245	(39)
- Adjustment in respect of prior years	(577)	(19)
	1,525	3,564

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	2009 £'000	2008 £'000
Profit on ordinary activities before tax	6,539	15,822
Tax on profit on ordinary activities at standard rate of 28% (2008 – 28.5%)	1,831	4,509
Factors affecting charge for the period		
Capital allowances in excess of depreciation	89	144
Expenses not deductible for tax purposes	109	30
Other timing differences	70	91
Unrelieved foreign taxes	110	(225)
Dividends from foreign subsidiaries	(685)	(927)
Group relief (Wilson UK)	(457)	-
Adjustment in respect of prior years	790	-
	1,857	3,622

SMITH INTERNATIONAL (NORTH SEA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

9. DIVIDENDS

	2009 £'000	2008 £'000
Dividends paid of £4 5061 (2008 nil) per ordinary share	5,636	-

10. SHARE-BASED PAYMENTS

Smith International Inc, the ultimate parent of the company, operates employee share schemes which include restricted stock units

Equity-settled share option scheme

Key employees are granted restricted stock units. This consists of a combination of performance based restricted stock units and time-based restricted stock units. The number of performance-based units issued is solely dependent upon the return on equity achieved by the group in the fiscal year subsequent to the award. Details of the share options not vested are as follows

	2009		2008	
	Number of share options Number	Weighted average exercise price £	Number of share options Number	Weighted average exercise price £
Outstanding at beginning of period	108,353	22.56	89,553	25.54
Granted during the period	9,471	16.41	38,761	13.45
Exercised during the period	-	-	(3,580)	18.26
Forfeited during the period	(21,228)	13.45	(16,381)	13.45
Non-vested at the end of the period	96,596	21.95	108,353	22.56

The following table presents the weighted average assumptions used in the option pricing model for options granted

	2009	2008
Expected life (years)	5	5
Interest rate	4.3%	4.3%
Volatility	31%	31%
Dividend yield	0.8%	0.8%
Weighted average fair value per share	\$29.33	\$32.57

The company recognised total expenses of £220,412 and £88,584 relating to equity-settled share-based payment transactions in 2009 and 2008

SMITH INTERNATIONAL (NORTH SEA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

11. TANGIBLE FIXED ASSETS

	Leasehold buildings £'000	Plant and machinery £'000	Rental tools £'000	Total £'000
Cost				
At 1 January 2009	1,250	4,179	13,410	18,839
Additions	359	801	2,088	3,248
Disposals	(29)	(336)	(4,125)	(4,490)
Exchange movement	13	(79)	(125)	(191)
At 31 December 2009	<u>1,593</u>	<u>4,565</u>	<u>11,248</u>	<u>17,406</u>
Accumulated depreciation				
At 1 January 2009	921	2,509	7,578	11,008
Charge for the year	51	447	1,345	1,843
Disposals	(29)	(131)	(1,916)	(2,076)
Exchange movement	2	(37)	(61)	(96)
At 31 December 2009	<u>945</u>	<u>2,788</u>	<u>6,946</u>	<u>10,678</u>
Net book value				
At 31 December 2009	<u>648</u>	<u>1,777</u>	<u>4,302</u>	<u>6,727</u>
At 31 December 2008	<u>329</u>	<u>1,670</u>	<u>5,832</u>	<u>7,831</u>

The net book value of assets held under finance leases was £19,000 (2008 – £28,000)

SMITH INTERNATIONAL (NORTH SEA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

12 INVESTMENTS

	2009 £'000	2008 £'000
Subsidiary undertakings	8,236	8,236
Associates	42	42
Other investments	621	621
Joint venture undertakings	4,680	4,680
	<u>13,579</u>	<u>13,579</u>

The company has investments in the following undertakings

	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Holding</i>	<i>%</i>
Subsidiary undertakings				
Smith International (Investments) Limited	Scotland	Non Trading	Ordinary shares	100%
The Red Baron (Oil Tools Rental) Norge A/S	Norway	Non trading	Ordinary shares	100%
Houston Engineers Limited	Scotland	Non trading	Ordinary shares	100%
Associates				
Neyrfor UAE LLC	Dubai	Oil & gas services	Ordinary shares	49%
Other				
S I Nederland BV	Netherlands	Oil & gas services	Preferred class A shares	11%
Joint venture undertakings				
Smith International Manufacturing Limited	Dubai	Oil & gas services	Ordinary shares	49%

13. STOCKS

	2009 £'000	2008 £'000
Raw materials and consumables	1,044	1,130
Work-in-progress	519	797
Finished goods	10,222	11,618
	<u>11,785</u>	<u>13,545</u>

SMITH INTERNATIONAL (NORTH SEA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

14. DEBTORS

	2009 £'000	2008 £'000
Trade debtors	17,965	24,429
Amounts owed by group undertakings	16,220	17,010
Other debtors	101	139
Prepayments and accrued income	519	986
	<u>34,805</u>	<u>42,564</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £'000	2008 £'000
Bank overdraft	-	482
Obligations under finance leases	-	12
Trade creditors	1,921	3,096
Amounts owed to group undertakings	17,656	22,754
Corporation tax	(113)	2,156
Other taxes and social security	1,385	1,587
Accruals and deferred income	3,911	4,364
	<u>24,760</u>	<u>34,451</u>

The bank overdraft is secured by a floating charge over the assets of the company and a guarantee from the ultimate parent company

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2009 £'000	2008 £'000
Amounts owed to parent company and fellow subsidiary undertaking	2,007	-
	<u>2,007</u>	<u>-</u>

Obligations under finance leases are secured against the related assets

SMITH INTERNATIONAL (NORTH SEA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

17 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred tax	2009 £'000
At 1 January 2009	374
Charged to profit and loss account	(332)
At 31 December 2009	<u>42</u>

Deferred tax is provided as follows

	2009 £'000	2008 £'000
Accelerated capital allowances	<u>42</u>	<u>374</u>

18. CALLED UP SHARE CAPITAL

	2009 £'000	2008 £'000
Authorised 2,000,000 ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>
Called up, allotted and fully paid 1,250,843 ordinary shares of £1 each	<u>1,251</u>	<u>1,251</u>

19. RESERVES

	Capital reserve £'000	Capital contribution £'000	Share Premium £'000	Profit & loss account £'000	Total £'000
At 1 January 2009	900	7,199	5,612	28,872	42,583
Profit for the year	-	-	-	5,014	5,014
Other recognised gains	-	-	-	(515)	(515)
Dividends paid	-	-	-	(5,636)	(5,636)
At 31 December 2009	<u>900</u>	<u>7,199</u>	<u>5,612</u>	<u>27,735</u>	<u>41,446</u>

The capital contribution is non distributable

SMITH INTERNATIONAL (NORTH SEA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2009 £'000	2008 £'000
Profit for the financial year	5,014	12,258
Other recognised losses relating to the year	(515)	1,449
Dividends paid	(5,636)	-
Net (reduction)/addition to shareholders' funds	(1,137)	13,707
Opening shareholders' funds	43,834	30,127
Closing shareholders' funds	42,697	43,834

21. FINANCIAL COMMITMENTS

	2009 £'000	2008 £'000
Capital commitments	-	-
Contracted for but not provided	-	-

Pension commitments

The company contributes to a defined contribution pension scheme

The total pension cost which is charged against profits represents contributions payable by the company and amounted to £1,103,000 (2008 - £1,067,000)

Lease commitments

The minimum commitment falling due in the next twelve months, under non cancellable operating leases are as follows

	2009		2008	
	Land & buildings £'000	Plant & machinery £'000	Land & buildings £'000	Plant & Machinery £'000
Expiry date:				
- within one year	59	6	238	44
- within 2-5 years	-	74	156	50
- after 5 years	1,058	-	623	-
	1,117	80	1,017	94

22. CONTINGENT LIABILITIES

The company has provided performance guarantees to third parties in the normal course of business At 31 December 2009, guarantees outstanding amounted to £162,741 (2008 - £590,000)

23. RELATED PARTY TRANSACTIONS

The company is exempt from the requirement of FRS8 to include details of transactions with other group companies There are no other related party transactions to disclose

SMITH INTERNATIONAL (NORTH SEA) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

24. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary undertaking of The Red Baron (Oil Tools Rental) Limited, a company registered in the United Kingdom. The smallest group in which the results of the company are consolidated is that headed by Smith International Inc, a company incorporated in the state of Delaware, USA. At 31 December 2009, the directors regarded Smith International Inc as the ultimate parent undertaking and is the largest group in which the results of the company are consolidated. Subsequent to 31 December 2009, the ultimate parent company became Schlumberger Limited (note 25). This company is registered in Netherlands Antilles. Copies of the group accounts may be obtained from Smith International Inc, P O Box 60068, Houston, Texas 77205-0068.

25. SUBSEQUENT EVENTS

On 21 February 2010, Schlumberger Ltd and Smith International Inc jointly announced that their Boards of Directors had unanimously approved a definitive merger agreement in which the companies would combine in a stock-for-stock transaction. On 27 August 2010 this merger was approved by the stockholders of both companies and applicable regulatory approvals were obtained and the company now regards Schlumberger Limited, as the ultimate parent company.

Due to the low level of activity in operations in the Middle East, the company is in the process of closing certain branch operations in Middle East.