

# **Smith International (North Sea) Limited**

**Registered number: 02533968**

**Annual report and financial statements**

**For the year ended 31 December 2020**

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## **Smith International (North Sea) Limited**

### **Directors' report for the year ended 31 December 2020**

The directors present their annual report together with the audited financial statements of Smith International (North Sea) Limited (the "Company") for the year ended 31 December 2020.

#### **Principal activities,**

The Company's principal activity during the prior year were the provision of specialized 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 did not trade during the and prior year, due to the transfer of operations to Schlumberger Oilfield UK Plc effective 1 January 2019.

#### **Review of the business**

The results show a profit before taxation for the financial year of £933,000 (2019 loss: £2,462,000), which has been transferred to reserves. The main driver for the change in the current year was due to gain from intercompany creditors write off £1,474,000 (2019 loss: intercompany debtors write off £2,134,000).

The Company's net assets increased to £33,750,000 (2019: £33,466,000), due to an increase in overall net intercompany balances by £1,380,000, offset by decrease in cash and cash equivalent £1,135,000 and an increase in corporate and foreign tax liabilities £506,000.

#### **Principal risks and uncertainties**

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks and uncertainties of the Schlumberger Limited worldwide group and are not managed separately. For an analysis of the principal risk factors affecting the Schlumberger Limited group, see item 1A, Risk Factors, in the 2020 Annual Report of Schlumberger Limited, copies of which can be obtained from [www.slb.com](http://www.slb.com).

#### **Key performance indicators ("KPIs")**

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

#### **Directors**

The directors of the Company who were in office during the year and up to the date of signing the financial statements were, unless otherwise stated:

J Covarrubias Rico  
N Cheetham (resigned 3 Apr 2020)

M Corcoran

#### **Qualifying third-party indemnity provisions**

During the year and up to the date of this report, the Company maintained liability insurance for its directors and officers. The Company also provides an indemnity for its directors, which is a qualifying third-party indemnity provision for the purposes of the Companies Act 2006.

## **Smith International (North Sea) Limited**

### **Directors' report for the year ended 31 December 2020 (continued)**

#### **Financial risk management**

The Company's operations expose it to a variety of financial risks that include the following:

##### Foreign exchange risk

The Company is exposed to foreign exchange risk with respect to intercompany balances in its overseas branches. The Company does not currently enter into financial instruments to mitigate this risk, as the contracts are generally short term in nature.

##### Credit risk

The Company's principal financial assets are cash at bank and in hand and trade and other receivables. Credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by international credit ratings agencies.

##### Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses a mixture of long-term and short-term debt finance.

##### Capital risk

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

#### **Dividends**

The directors did not propose any interim or final dividends during the year (2019: £nil).

#### **Branches**

The Company has overseas branches established in South Africa, Angola and Kazakhstan.

#### **Going concern**

The Company has net current assets of £33,706,000 as at 31 December 2020. The Directors have considered the Company's financial commitments falling due for a period of at least 12 months from the date of approval of these financial statements and have a reasonable expectation that the company has adequate resources to meet these as they fall due. The directors continue to adopt the going concern basis in preparing the financial statements.

## **Smith International (North Sea) Limited**

### **Directors' report for the year ended 31 December 2020 (continued)**

#### **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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 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.

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.

#### **Directors' confirmations**

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

## **Smith International (North Sea) Limited**

### **Directors' report for the year ended 31 December 2020 (continued)**


#### **Future development**

The Company does not trade and is expected to continue in its current form in the foreseeable future.

#### **Independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the forthcoming Annual General Meeting.

This report was approved by the board on 21 January 2022 and signed on its behalf by

DocuSigned by:  
  
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Jorge Covarrubias Rico  
Director  
21 January 2022

# Independent auditors' report to the members of Smith International (North Sea) Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Smith International (North Sea) Limited's 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 (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance sheet, Statement of changes in equity as at 31 December 2020; the Profit and loss account, the Statement of comprehensive income for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

## **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### **Directors' report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' report.

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

### **Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to The Health and Safety Act 1974, data protection requirements in the jurisdictions in which the Company operates and holds data (including The General Data Protection Regulation (GDPR)), tax legislation and employment regulations, 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 financial statements such as the Companies Act 2006. We evaluated 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 inappropriate journal entries and management bias in accounting estimates, particularly in relation to impairment of investments. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Performing audit procedures to address the risk of management override of controls, including testing journal entries and other adjustments for appropriateness and evaluating the business rationale of significant transactions outside the normal course of business;
- Incorporating elements of unpredictability into the audit procedures performed;
- Reviewing minutes of meetings of those charged with governance.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

#### **Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



### **Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

*Sim Bailey*

Simon Bailey (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

24 JANUARY 2022

## Smith International (North Sea) Limited

### Profit and loss account For the year ended 31 December 2020

|   | Note | 2020<br>£'000 | 2019<br>£'000  |
|---|------|---------------|----------------|
| Administrative income/(expenses)                            |      | 917           | (2,577)        |
| Other operating income                                      |      | 18            | 115            |
| <hr/>   |      |               |                |
| <b>Operating profit/(loss) before interest and taxation</b> | 6    | <b>935</b>    | <b>(2,462)</b> |
| Interest payable and similar expense                        | 7    | (2)           | -              |
| <hr/>   |      |               |                |
| <b>Profit/(loss) before taxation</b>                        |      | <b>933</b>    | <b>(2,462)</b> |
| Tax (charge)/credit for the year                            | 8    | (506)         | 5              |
| <hr/>   |      |               |                |
| <b>Profit/(loss) for the financial year</b>                 |      | <b>427</b>    | <b>(2,457)</b> |
| <hr/>   |      |               |                |

The notes on pages 11 to 23 form part of these financial statements.

# Smith International (North Sea) Limited

## Statement of comprehensive income For year ended 31 December 2020

|   | 2020<br>£'000 | 2019<br>£'000  |
|---|---------------|----------------|
| Profit/(loss) for the financial year                          | 427           | (2,457)        |
| <b>Other comprehensive expense</b>                            |               |                |
| Items that may be reclassified subsequently to profit or loss |               |                |
| Currency translation differences                              | (143)         | (242)          |
| <b>Other comprehensive expense</b>                            | <b>(143)</b>  | <b>(242)</b>   |
| <b>Total comprehensive income/(expense) for the year</b>      | <b>284</b>    | <b>(2,699)</b> |

The notes on pages 11 to 23 form part of these financial statements.

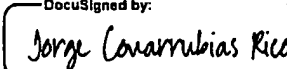
# Smith International (North Sea) Limited

## Balance sheet As at 31 December 2020

|  | Note | 2020<br>£'000 | 2019<br>£'000 |
|--|------|---------------|---------------|
| <b>Fixed assets</b>                            |      |               |               |
| Tangible assets                                | 9    | 44            | 48            |
| Investments                                    | 10   | -             | -             |
|  |      | <b>44</b>     | <b>48</b>     |
| <b>Current assets</b>                          |      |               |               |
| Stocks   | 11   | 54            | -             |
| Debtors: amounts falling due within one year   | 12   | 33,400        | 31,990        |
| Cash and cash equivalents                      |      | 1,416         | 2,551         |
|  |      | <b>34,870</b> | <b>34,541</b> |
| Creditors: amounts falling due within one year | 13   | (1,164)       | (1,123)       |
| <b>Net current assets</b>                      |      | <b>33,706</b> | <b>33,418</b> |
| <b>Total assets less current liabilities</b>   |      | <b>33,750</b> | <b>33,466</b> |
| <b>Net assets</b>                              |      | <b>33,750</b> | <b>33,466</b> |
| <b>Capital and reserves</b>                    |      |               |               |
| Called up share capital                        | 15   | 1,251         | 1,251         |
| Share premium account                          | 15   | 5,612         | 5,612         |
| Capital reserve                                | 15   | 900           | 900           |
| Capital contribution                           | 15   | 7,199         | 7,199         |
| Share based payment reserve                    |      | 1,052         | 1,052         |
| Profit and loss account                        |      | 17,736        | 17,452        |
| <b>Total shareholders' funds</b>               |      | <b>33,750</b> | <b>33,466</b> |

The notes on pages 11 to 23 form part of these financial statements.

The financial statements on pages 7 to 23 were approved by the Board of Directors on 21 January 2022 and signed on its behalf by:

DocuSigned by:  
  
 40A7B7189E17454  
 J Covarrubias Rico  
 Director  
 21 January 2022  
 Smith International (North Sea) Limited

Registered number: 02533968

# Smith International (North Sea) Limited

## Statement of changes in equity For the year ended 31 December 2020

|   | Called<br>up share<br>capital<br>£'000 | Share<br>premium<br>account<br>£'000 | Capital<br>reserve<br>£'000 | Capital<br>contribution<br>£'000 | Share<br>based<br>payment<br>reserve<br>£'000 | Profit and<br>loss<br>account<br>£'000 | Total<br>shareholders'<br>funds<br>£'000 |
|---|--|--------------------------------------|-----------------------------|----------------------------------|---|--|--|
| Balance as at 1<br>January 2019             | 1,251                                  | 5,612                                | 900                         | 7,199                            | 1,052   | 20,151                                 | 36,165                                   |
| Loss for the financial<br>year              | -                                      | -                                    | -                           | -                                | -   | (2,457)                                | (2,457)                                  |
| Other comprehensive<br>expense for the year | -                                      | -                                    | -                           | -                                | -   | (242)                                  | (242)                                    |
| Total comprehensive<br>expense for the year | -                                      | -                                    | -                           | -                                | -   | (2,699)                                | (2,699)                                  |
| <b>Balance as at 31<br/>December 2019</b>   | <b>1,251</b>                           | <b>5,612</b>                         | <b>900</b>                  | <b>7,199</b>                     | <b>1,052</b>                                  | <b>17,452</b>                          | <b>33,466</b>                            |
| Profit for the financial<br>year            | -                                      | -                                    | -                           | -                                | -   | 427                                    | 427                                      |
| Other comprehensive<br>expense              | -                                      | -                                    | -                           | -                                | -   | (143)                                  | (143)                                    |
| Total comprehensive<br>income for the year  | -                                      | -                                    | -                           | -                                | -   | 284                                    | 284                                      |
| <b>Balance as at 31<br/>December 2020</b>   | <b>1,251</b>                           | <b>5,612</b>                         | <b>900</b>                  | <b>7,199</b>                     | <b>1,052</b>                                  | <b>17,736</b>                          | <b>33,750</b>                            |

The notes on pages 11 to 23 form part of these financial statements.

## **Smith International (North Sea) Limited**

### **Notes to the financial statements For the year ended 31 December 2020**

#### **1 General information**

Smith International (North Sea) Limited's principal activity was to act as a holding company.

The Company is privately owned and limited by shares and is incorporated in England and domiciled in the United Kingdom. The address of its registered office is Schlumberger House, Buckingham Gate, Gatwick Airport, West Sussex RH6 0NZ.

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

The financial statements of Smith International (North Sea) Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standards 102, "The Financial Reporting Standards applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and the Companies Act 2006.

#### **3 Accounting policies**

The principal accounting policies applied in preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented. The Company has adopted FRS 102 in these financial statements.

##### **Basis of preparation**

These financial statements have been prepared on a going concern basis, under the historical cost convention in accordance with the Companies Act 2006 and applicable United Kingdom Accounting Standards because the Directors have reasonable expectation that the company has adequate resources to continue in operational existence for a period of twelve months from the date of approval of these financial statements.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are described in note 4.

##### **Going concern**

The Company has net assets as at 31 December 2020. Having considered the Company's financial commitments falling due for a period of at least 12 months from the date of approval of these financial statements the directors continue to adopt the going concern basis in preparing the financial statements.

##### **Exemption for qualified entities under FRS 102**

In preparing the financial statements under FRS 102, the Company as a qualifying entity has taken advantage of certain disclosure exemptions permitted, subject to certain conditions, which have been complied with, being the notification of, and no objection to the use of these exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

- i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flow of Schlumberger Limited, includes the Company's cash flow. (FRS 102 paragraph 1.12(b));

## **Smith International (North Sea) Limited**

### **Notes to the financial statements**

#### **For the year ended 31 December 2020 (continued)**

### **3 Accounting policies (continued)**

#### **Exemption for qualified entities under FRS 102 (continued)**

- ii) from the financial instrument disclosures, required under FRS 102 as the information is provided in the consolidated financial statement of Schlumberger Limited (paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29). The group has chosen to adopt Section 11 and 12 of FRS 102 in respect of financial instruments;
- iii) from the related party transactions disclosures, required under FRS 102 as the information is provided in the consolidated financial statement of Schlumberger Limited (paragraph 33.1A); and
- iv) from the share-based payment disclosure, required under FRS 102. The disclosure exemptions are available under 1.12(e) FRS102 due to the equivalent disclosures having been given in the Schlumberger Limited financial statements as the share-based payment is being settled in the equity instruments of another group entity. The disclosure exemption applied to the following section 26 disclosures are:
  - Paragraph 26.18(b) of FRS 102 (the number and weighted average exercise prices of share options) for each of the following groups of options:
    - a) Outstanding at the beginning of the period.
    - b) Granted during the period.
    - c) Forfeited during the period.
    - d) Exercised during the period.
    - e) Expired during the period.
    - f) Outstanding at the end of the period.
    - g) Exercisable at the end of the period.
  - Paragraphs 26.19-26.21 (determination of fair values and information about modifications; and
  - Paragraph 26.23 (impact on profit or loss).

#### **Current**

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognized in other comprehensive income or directly in shareholders' funds.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Provisions are made on the basis of amounts expected to be paid to the tax authorities.

## **Smith International (North Sea) Limited**

### **Notes to the financial statements For the year ended 31 December 2020 (continued)**

#### **3 Accounting policies (continued)**

##### **Foreign currencies**

The Company's functional and presentation currency is the pound sterling.

Trading transactions in foreign currencies are translated into sterling at the exchange rate on the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates at the balance sheet date. All revaluation differences and realized foreign exchange differences are taken to the profit and loss account.

Assets and liabilities of foreign currency branches are translated into sterling at rates of exchange ruling at the balance sheet date. The profit and loss account is translated into sterling using average rates of exchange. Exchange differences arising when the opening net assets and the profits for the year retained by foreign currency branches are translated into sterling are taken directly to reserves and reported in other comprehensive income.

##### **Tangible assets and depreciation**

Tangible assets are stated at historic purchase cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the expected useful lives of each category of tangible fixed assets at the following rates:

|                     |              |
|---------------------|--------------|
| Plant and machinery | 3 - 10 years |
| Rental tools        | 3 - 8 years  |

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.



## **Smith International (North Sea) Limited**

### **Notes to the financial statements**

#### **For the year ended 31 December 2020 (continued)**

#### **3 Accounting policies (continued)**

##### **Investments**

Investments are included in the balance sheet at cost less any provisions for impairment.

##### **Impairment review**

The carrying values of investments are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication of possible impairment exists, the company makes an estimate of the investment's recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

Where these circumstances have reversed, the impairment previously made is reversed to the extent of the original cost of the investment.

Any impairment is determined by comparing the carrying value of assets with their recoverable amount, where the recoverable amount is the higher of net realisable value or value in use is charged to the profit and loss account. Value in use is calculated using the present value of future cash flows discounted at an appropriate rate.

##### **Stocks**

Stocks and work-in-progress are stated at the lower of cost and net realizable 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 level of activity. |

Net realizable 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.

##### **Cash and cash equivalents**

Cash and cash equivalents include current bank account balances, cash held on overnight deposit or cash in hand and other short-term investments in market with maturities within 12 months.

## **Smith International (North Sea) Limited**

### **Notes to the financial statements For the year ended 31 December 2020 (continued)**

#### **3 Accounting policies (continued)**

##### **Financial assets and liabilities**

The classification of financial assets and liabilities depends on the purpose for which the financial assets were acquired, or the financial liabilities were incurred. Management determines the classification of its financial assets and liabilities at initial recognition. The Company classifies its financial assets as loans and receivables and its financial liabilities as other financial liabilities.

##### **(a) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

The Company's loans and receivables mainly comprise basic financial assets including debtors (including amounts owed by Schlumberger Limited group companies) and cash at bank and in hand.

Loans and receivables are recognised initially at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

##### **(b) Other financial liabilities**

The Company's other financial liabilities mainly comprise basic financial liabilities including creditors (including amounts owed to Schlumberger Limited group companies).

Other financial liabilities are recognised initially at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

##### **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **4 Accounting judgements and estimation**

##### **Accounting judgements, estimates and assumptions**

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next financial year are addressed below.

##### ***Recoverability of intercompany balances***

The company assesses the recoverability of amounts due from group companies at each reporting date. The directors have satisfied themselves the parent company has adequate capacity and financial ability to settle intercompany receivables when required. At 31 December 2020 amounts due from group companies are £33,354,000 (2019: £31,990,000) of which includes cash pool advances amount of £24,206,000 (2019: £30,641,000).

# Smith International (North Sea) Limited

## Notes to the financial statements For the year ended 31 December 2020 (continued)

### 5 Staff costs and directors' emoluments

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

| By activity:               | 2020<br>Number | 2019<br>Number |
|----------------------------|----------------|----------------|
| Administration             | -              | 1              |
| <b>Total staff numbers</b> | <b>-</b>       | <b>1</b>       |

The aggregate payroll costs were as follows:

|                         | 2020<br>£'000 | 2019<br>£'000 |
|-------------------------|---------------|---------------|
| Wages and salaries      | -             | 61            |
| Other pension costs     | -             | 2             |
| <b>Total staff cost</b> | <b>-</b>      | <b>63</b>     |

Directors' remuneration in the current and prior year is borne by Schlumberger Oilfield UK Plc, a fellow group company. The Company's directors are of the opinion that no reasonable allocation of this remuneration can be made to the Company.

### 6 Operating profit/(loss) before interest and taxation

Operating loss stated after charging/(crediting) the following items:

|  | 2020<br>£'000 | 2019<br>£'000 |
|--|---------------|---------------|
| Auditors' remuneration:                      |               |               |
| Audit fees payable to the company's auditors | 37            | 75            |
| Depreciation of tangible assets (note 9)     | 73            | 147           |
| Bad debts write off (credit)/expense         | (1,474)       | 2,134         |
| Stocks recognised as expenses                | 54            | -             |
| Gain on foreign currency exchange            | (2)           | (104)         |
| Gain on disposal of tangible assets          | (16)          | (11)          |

### 7 Interest expense and similar expense

|  | 2020<br>£'000 | 2019<br>£'000 |
|--|---------------|---------------|
| Interest on amounts owed to group undertakings | 2             | -             |

# Smith International (North Sea) Limited

## Notes to the financial statements For the year ended 31 December 2020 (continued)

### 8 Tax on profit/(loss)

The taxation charge/(credit) based on the loss before taxation may be analysed as follows:

|  | 2020<br>£'000 | 2019<br>£'000 |
|--|---------------|---------------|
| <b>Current tax</b>                               |               |               |
| UK corporation tax on profit/(loss) for the year |               |               |
| - Current year                                   | 42            | 5             |
| - Adjustments in respect of prior years          | 424           | -             |
|  | <b>466</b>    | <b>5</b>      |
| <b>Foreign tax</b>                               |               |               |
| - Current year                                   | 38            | -             |
| - Adjustments in respect of prior years          | 2             | -             |
|  | <b>40</b>     | <b>-</b>      |
| <b>Total current tax charge for the year</b>     | <b>506</b>    | <b>5</b>      |

The corporation tax charge for the year is higher (2019: lower) than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

|   | 2020<br>£'000 | 2019<br>£'000  |
|---|---------------|----------------|
| <b>Profit/(loss) before taxation</b>  | <b>933</b>    | <b>(2,462)</b> |
| Tax charge/(credit) on loss before taxation at standard rate of 19% (2019: 19%) | 177           | (468)          |
| Effects of:   |               |                |
| Expenses not deductible for tax purposes  | -             | 58             |
| Income not deductible for tax purposes  | (365)         | -              |
| Short term timing difference (a)  | (30)          | 130            |
| Impact of deferred tax rate change on opening balance                           | -             | (152)          |
| Foreign tax   | 38            | -              |
| Adjustments in respect of prior years   | 426           | -              |
| Overseas tax exemption  | 260           | 437            |
| <b>Tax on charge on profit for the year</b>                                     | <b>506</b>    | <b>5</b>       |

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted as at balance sheet date, its effects are not included in the financial statements.

## **Smith International (North Sea) Limited**

### **Notes to the financial statements**

#### **For the year ended 31 December 2020 (continued)**

In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase to 25%. This new law was substantively enacted on 24 May 2021. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

# Smith International (North Sea) Limited

## Notes to the financial statements For the year ended 31 December 2020 (continued)

### 9 Tangible assets

|  | Plant and<br>machinery<br>£'000 | Rental<br>tools<br>£'000 | Total<br>£'000 |
|--|---------------------------------|--------------------------|----------------|
| <b>Cost</b>                                    |                                 |                          |                |
| At 1 January 2020                              | 211                             | 1,489                    | 1,700          |
| Additions                                      | -                               | 50                       | 50             |
| Disposals                                      | (39)                            | (150)                    | (189)          |
| Exchange movement                              | 14                              | 98                       | 112            |
| <b>At 31 December 2020</b>                     | <b>186</b>                      | <b>1,487</b>             | <b>1,673</b>   |
| <b>Accumulated depreciation</b>                |                                 |                          |                |
| At 1 January 2020                              | 184                             | 1,468                    | 1,652          |
| Charge for the year                            | 13                              | 60                       | 73             |
| Disposals                                      | (17)                            | (146)                    | (163)          |
| Exchange movement                              | 6                               | 61                       | 67             |
| <b>At 31 December 2020</b>                     | <b>186</b>                      | <b>1,443</b>             | <b>1,629</b>   |
| <b>Net book amount at<br/>31 December 2020</b> | <b>-</b>                        | <b>44</b>                | <b>44</b>      |
| Net book amount at 31<br>December 2019         | 27                              | 21                       | 48             |

There were no fixed assets pledged as a security for company liabilities (2019: £nil).

### 10 Investments

The investments are represented by an investment at cost of £1 (2019: £1), the book amount.

|                                 | 2020<br>£000 | 2019<br>£000 |
|---------------------------------|--------------|--------------|
| <b>Cost and net book amount</b> |              |              |
| At 1 January and 31 December    | -            | -            |

The company held an investment in the following undertaking:

|                   | Country of<br>incorporation | Principal<br>activity | Holding            | %  |
|-------------------|-----------------------------|-----------------------|--------------------|----|
| <b>Associates</b> |                             |                       |                    |    |
| Neyrfor UAE LLC   | Dubai                       | Oil & gas<br>services | Ordinary<br>shares | 49 |

The registered address for the above is P.O.Box 46135, Abu Dhabi, United Arab Emirates.

## Smith International (North Sea) Limited

### Notes to the financial statements

#### For the year ended 31 December 2020 (continued)

#### 11 Stocks

|                     | 2020<br>£'000 | 2019<br>£'000 |
|---------------------|---------------|---------------|
| Finished goods      | 54            | -             |
| <b>Total stocks</b> | <b>54</b>     | <b>-</b>      |

There is no significant difference between the replacement cost of finished goods and their carrying amounts.

The amount of stock pledged as a security for liabilities was £nil (2019: £nil).

#### 12 Debtors: amounts falling due within one year

|  | 2020<br>£'000 | 2019<br>£'000 |
|--|---------------|---------------|
| Amounts owed by group undertakings                         | 33,349        | 31,990        |
| Other debtors  | 51            | -             |
| <b>Total debtors - amounts falling due within one year</b> | <b>33,400</b> | <b>31,990</b> |

Amounts owed by group undertakings include cash pool balances receivable by Schlumberger Oilfield UK Plc of £24,206,000 (2019: £30,641,000), which are unsecured, repayable on demand and interest free. Trading transactions between all Schlumberger Limited companies are settled within normal market terms.

#### 13 Creditors: amounts falling due within one year

|   | 2020<br>£'000 | 2019<br>£'000 |
|---|---------------|---------------|
| Trade creditors   | 82            | 79            |
| Amounts owed to group undertakings                          | 151           | 172           |
| Corporation tax   | 42            | 5             |
| Other taxation and social security                          | 34            | 25            |
| Foreign taxes   | 551           | 508           |
| Accruals  | 304           | 334           |
| <b>Total creditors: amounts falling due within one year</b> | <b>1,164</b>  | <b>1,123</b>  |

Trading transactions between all Schlumberger Limited companies are settled within normal market terms.

## Smith International (North Sea) Limited

### Notes to the financial statements For the year ended 31 December 2020 (continued)

#### 14 Provisions for liabilities

|  | 2020<br>£'000 | 2019<br>£'000 |
|--|---------------|---------------|
| At 1 January                             | -             | 820           |
| Transfer to Schlumberger Oilfield UK Plc | -             | (820)         |
| At 31 December                           | -             | -             |

On 1 January 2019, the provision related to dilapidations reflected repair and re-instatement costs to be incurred in respect of leases held by the Company. These were reassigned to Schlumberger Oilfield UK Plc on 1 January 2019, therefore there will be no future provision by the Company from that date.

#### 15 Called up share capital

| Authorised ordinary shares of £1 each:              | £'000 | Number    |
|---|-------|-----------|
| Balance at 1 January and 31 December 2020           | 2,000 | 2,000,000 |
| Allotted and fully paid ordinary shares of £1 each: | £'000 | Number    |
| Balance at 1 January and 31 December 2020           | 1,251 | 1,250,843 |

##### Share premium account

The balance on the share premium account represents the amounts received in excess of the nominal value of the ordinary shares.

##### Capital reserves

The balance held on this capital reserve is other non-distributable reserve of the company, received in excess of the total nominal value of the ordinary shares.

##### Capital contribution

The balance on the capital contribution account represents non distributable reserve of the company, which is additional paid capital contribution after the initial purchase of the ordinary shares.

#### 16 Controlling parties

Schlumberger Oilfield UK Plc, a company registered in England, is the immediate parent company.

Schlumberger Limited, a company incorporated in Curacao, a country within the Kingdom of the Netherlands, is the parent undertaking of the smallest and the largest group of undertakings of which Smith International (North Sea) Limited is a member and for which group financial statements are drawn up. The directors consider Schlumberger Limited to be the ultimate parent company and controlling party.

Copies of the financial statements of Schlumberger Limited can be obtained from 17<sup>th</sup> Floor, 5599 San Felipe, Houston, Texas, 77056, USA or on the Group website at [www.slb.com](http://www.slb.com).



**Smith International (North Sea) Limited**

**Notes to the financial statements  
For the year ended 31 December 2020 (continued)**

**17 Events after the end of reporting period**

In view of the non trading of the company, the effect of the Covid pandemic is not expected to have an impact on this company.