

**Company Registration No. 02661838**

# **AMENDING**

## **SPECIALISED PETROLEUM SERVICES INTERNATIONAL (BRANCH) LIMITED**

**Annual report and financial Statements**

**31 December 2009**



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# **SPECIALISED PETROLEUM SERVICES INTERNATIONAL (BRANCH) LIMITED**

## **Annual report and financial statements 2009**

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# **SPECIALISED PETROLEUM SERVICES INTERNATIONAL (BRANCH) LIMITED**

## **Annual Report and financial statements 2009**

### **Officers and professional advisers**

#### **Directors**

D Gormley  
I Jack  
P MacKenzie

#### **Secretaries**

P Droy  
D Gormley

#### **Registered Office**

Victory House Manor Royal  
Crawley  
West Sussex  
United Kingdom  
RH10 9LU

#### **Bankers**

Bank of Scotland  
39 Albyn Place  
Aberdeen  
AB10 1YN

#### **Solicitors**

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

#### **Independent Auditor**

Deloitte LLP  
Aberdeen

# **SPECIALISED PETROLEUM SERVICES INTERNATIONAL (BRANCH) LIMITED**

## **Directors' report**

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

### **Principal activity**

The activities of the company were discontinued following the transfer of the trade of the company to a fellow group company on 1 January 2009

### **Business review and results**

All the activities of the company relate to discontinued operations

The loss for the year after tax of £2.5 million includes an exceptional foreign exchange loss of £2.0 million

### **Going concern**

As noted above, the company ceased trading with effect from 1 January 2009. Accordingly the financial statements are prepared on a basis other than that of a going concern.

Details of events subsequent to the balance sheet date are contained in note 15 to the financial statements

### **Directors**

The directors, who served during the year and to the date of this report, except as noted, were as follows

W I A Gibb (resigned 1 June 2010)

D Gormley

I Jack

P MacKenzie

On 11 February 2011 P Droy was appointed as company secretary. P Droy and D Gormley remain company secretaries at the date of this report.

### **Independent auditors**

Each of the persons who is a director of the company at the date when this report is approved confirms that

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

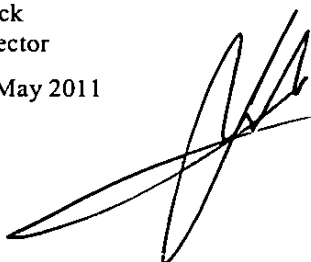
This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

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

I Jack  
Director

18 May 2011



## **SPECIALISED PETROLEUM SERVICES INTERNATIONAL (BRANCH) 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 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 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 auditor's report to the members of SPECIALISED PETROLEUM SERVICES INTERNATIONAL (BRANCH) LIMITED**

We have audited the financial statements of Specialised Petroleum Services International (Branch) Limited for the year ended 31 December 2009 which comprise the profit and loss account, the balance sheet and the related notes 1 to 15. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of directors and auditor**

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 and express an opinion on 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.

## **Scope of the audit of the financial statements**

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 31 December 2009 and of its loss 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.

## **Emphasis of matter – financial statements prepared other than on a going concern basis**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

## **Opinion on other matter prescribed by the Companies Act 2006**

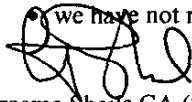
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Independent auditor's report to the members of  
SPECIALISED PETROLEUM SERVICES  
INTERNATIONAL (BRANCH) LIMITED (continued)**

**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 CA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Aberdeen, United Kingdom  
18 May 2011

## SPECIALISED PETROLEUM SERVICES INTERNATIONAL (BRANCH) LIMITED

### Profit and loss account Year ended 31 December 2009

	Note	2009 £'000	2008 £'000
Turnover – discontinued operations	2	-	6,635
Cost of sales		-	(7,010)
<b>Gross loss</b>		<u>-</u>	<u>(375)</u>
Administrative expenses		(18)	(351)
Exchange (loss)/ gain– exceptional	3	(1,980)	6,833
<b>Operating (loss)/profit – discontinued operations</b>	5	<u>(1,998)</u>	<u>6,107</u>
<b>(Loss)/profit on ordinary activities before taxation</b>		(1,998)	6,107
Tax on (loss)/profit on ordinary activities	6	(485)	(3,530)
<b>(Loss)/profit for the financial year</b>	10	<u><u>(2,483)</u></u>	<u><u>2,577</u></u>

All the activities relate to discontinued operations

There were no recognised gains or losses attributable to the shareholders in the current or preceding year other than as included in the Profit and Loss Account above. Accordingly, no separate Statement of Total Recognised Gains and Losses is presented.



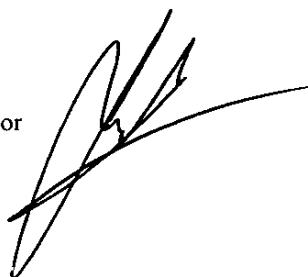
# **SPECIALISED PETROLEUM SERVICES INTERNATIONAL (BRANCH) LIMITED**

## **Balance sheet As at 31 December 2009**

	Note	2009 £'000	2008 £'000
<b>Current assets</b>			
Debtors	7	13,361	20,166
Cash at bank and in hand		-	2
		<u>13,361</u>	<u>20,168</u>
<b>Creditors: amounts falling due within one year</b>	8	<u>(11,422)</u>	<u>(15,746)</u>
<b>Net current assets</b>		<u>1,939</u>	<u>4,422</u>
<b>Total assets less current liabilities</b>		<u>1,939</u>	<u>4,422</u>
<b>Net assets</b>		<u>1,939</u>	<u>4,422</u>
<b>Capital and reserves</b>			
Called up share capital	9	-	-
Profit and loss account	10	<u>1,939</u>	<u>4,422</u>
<b>Shareholders' funds</b>	11	<u>1,939</u>	<u>4,422</u>

The financial statements of Specialised Petroleum Services International (Branch) Limited, company registration number 02661838, were approved by the Board of Directors on 18 May 2011 and signed on the Board's behalf

I Jack  
Director



# **SPECIALISED PETROLEUM SERVICES INTERNATIONAL (BRANCH) LIMITED**

## **Notes to the financial statements Year ended 31 December 2009**

### **1. Accounting policies**

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The principal accounting policies adopted are set out below.

#### **Basis of preparation**

The company ceased trading on 1 January 2009 when the trade was transferred to a fellow group company. As required by FRS 18 Accounting Policies, the directors have prepared the financial statements on the basis that the company is no longer a going concern. No significant adjustments arose as a result of ceasing to apply the going concern basis. The financial statements do not include any provision for the costs of winding up or liquidating the company where the costs were not incurred or committed at the balance sheet date.

#### **Cash flow statement**

The company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1 (Revised), "Cash flow statements" on the grounds that it is a wholly owned subsidiary of a parent company which produces consolidated financial statements which are publicly available (note 14).

#### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively 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 taxable profits and the 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. Deferred tax assets and liabilities are not discounted.

#### **Turnover**

Turnover is stated net of VAT and trade discounts. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to receive a consideration and is recorded at the value of the consideration due.

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. The translation differences arising are included in the profit and loss account.

# **SPECIALISED PETROLEUM SERVICES INTERNATIONAL (BRANCH) LIMITED**

## **Notes to the financial statements (continued) Year ended 31 December 2009**

### **2. Turnover**

Turnover represents the value of goods and services provided within the course of the company's ordinary activities after deduction of trade discounts and sales taxes. The company operated throughout Europe, the Middle East, the Far East and West Africa.

### **3. Administrative (expenses) / income**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Exchange (loss)/gain - exceptional (note 5)	(1,980)	6,833
Administrative expenses	(18)	(351)
<b>Total administrative (expenses)/income</b>	<b>(1,998)</b>	<b>6,482</b>

### **4. Information regarding directors and employees**

The company had no employees in the current or prior year with labour being contracted through M-I Drilling Fluids U K Limited and their costs recharged. The company incurred no labour charges in the year (2008 £790,000). The directors received no emoluments from this company (2008 £nil). The directors are also employees of other group companies and in the opinion of the directors, it is not practical to apportion directors' remuneration to subsidiaries on the basis of level of service and accordingly no allocation has been made.

### **5. Operating (loss) / profit**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Operating loss is stated after charging/(crediting)		
Foreign exchange loss/(gain)	1,980	(6,833)

The loss on foreign exchange of £1,980,000 (2008 gain of £6,833,000) has been identified as exceptional due to its size (note 3).

Audit fees for the current and prior year were borne by M-I Drilling Fluids U K Limited, a fellow group company. The directors estimate £3,000 (2008 £7,500) of that fee related to the company.

# SPECIALISED PETROLEUM SERVICES INTERNATIONAL (BRANCH) LIMITED

## Notes to the financial statements (continued) Year ended 31 December 2009

### 6. Tax on (loss)/ profit on ordinary activities

	2009 £'000	2008 £'000
<b>Current taxation</b>		
UK corporation tax	-	1,564
	-	1,564
<b>Relief for foreign taxation</b>	-	(167)
	-	1,397
<b>Foreign taxation</b>	485	435
Adjustments in respect of prior years	-	1,698
<b>Total current tax</b>	485	3,530

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 28% (2008 28.5%)  
The actual tax charge for the current and the previous year differs from the standard rate for the reasons set out in the following reconciliation

	2009 £'000	2008 £'000
(Loss)/profit on ordinary activities before tax	(1,998)	6,107
Tax on (loss)/profit on ordinary activities at standard rate of corporation tax in the UK of 28% (2008 28.5%)	(559)	1,740
<b>Factors affecting charge for the year:</b>		
Expenses/ (income) not deductible for tax purposes	3	(396)
Depreciation in excess of capital allowances	-	(1)
Unrelieved foreign taxes	485	269
Adjustments to tax charge in respect of prior years	-	1,698
Group relief	451	-
Transfer pricing adjustment in respect of intercompany lending	105	220
<b>Total current tax charge for the year</b>	485	3,530

# **SPECIALISED PETROLEUM SERVICES INTERNATIONAL (BRANCH) LIMITED**

## **Notes to the financial statements (continued) Year ended 31 December 2009**

### **7. Debtors: amounts falling due within one year**

	2009 £'000	2008 £'000
Trade debtors	-	291
Amounts owed by group undertakings	13,361	19,872
Prepayments and accrued income	-	3
	<u>13,361</u>	<u>20,166</u>

Amounts due from group undertakings have no formal repayment terms and do not bear interest

### **8. Creditors: amounts falling due within one year**

	2009 £'000	2008 £'000
Amounts owed to group undertakings	3,883	7,718
Taxation	7,539	8,028
	<u>11,422</u>	<u>15,746</u>

Amounts due to group undertakings have no formal repayment terms and do not bear interest

### **9. Called-up share capital**

	2009 £	2008 £
<b>Authorised:</b>		
5,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
<b>Allotted, called-up and fully paid:</b>		
400 ordinary shares of £1 each	<u>400</u>	<u>400</u>

# **SPECIALISED PETROLEUM SERVICES INTERNATIONAL (BRANCH) LIMITED**

## **Notes to the financial statements (continued) Year ended 31 December 2009**

### **10. Profit and loss account**

	<b>£'000</b>
At 1 January 2009	4,422
Loss for the year	(2,483)
At 31 December 2009	<u>1,939</u>

### **11. Reconciliation of movements in shareholders' funds**

	<b>2009 £'000</b>	<b>2008 £'000</b>
(Loss)/profit for the financial year	(2,483)	2,577
Net (reduction)/ increase in shareholders' funds	(2,483)	2,577
Opening shareholders' funds	4,422	1,845
Closing shareholders' funds	<u>1,939</u>	<u>4,422</u>

### **12. Related party transactions**

The directors have taken advantage of the disclosure exemptions conferred by Financial Reporting Standard 8 ("Related Party Disclosures") not to disclose details of transactions with related parties who are fellow group undertakings

### **13. Financial commitments and contingencies**

The assets of the company were pledged as part of the security provided over a loan held by M-I Drilling Fluids U K Limited and in the case of a triggering event as defined in the loan agreement, by Smith International, Inc The loan was settled subsequent to the balance sheet date

### **14. Ultimate parent company**

The company's immediate parent company is Specialised Petroleum Services Group Limited, a company incorporated in Scotland

The smallest group in which the results of this company are consolidated, is that headed by M-I Swaco LLC, a company incorporated in the State of Delaware, USA

The largest group in which the results of the company are consolidated as at 31 December 2009 is that headed by Smith International Inc , a company incorporated in the State of Delaware, USA Copies of its group financial statements are available from Smith International Inc , PO Box 60068, Houston, Texas, 77205-0068, USA

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**SPECIALISED PETROLEUM SERVICES  
INTERNATIONAL (BRANCH) LIMITED**

**Notes to the financial statements (continued)  
Year ended 31 December 2009**

**15. Subsequent events**

On 27 August 2010, Schlumberger Limited, a company incorporated in Curacao and whose share capital is listed on NYSE merged with Smith International Inc whereby the companies combined in a stock-for-stock transaction

From this date the ultimate parent company is Schlumberger Limited