

SMART STABILIZER SYSTEMS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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SMART STABILIZER SYSTEMS LIMITED

COMPANY INFORMATION

DIRECTORS

E R Prentice
J M Thomson
D Stroud (resigned 1 November 2015)
N A MacLeod

COMPANY SECRETARY

R K Strachan

REGISTERED NUMBER

03812469

REGISTERED OFFICE

Gotham Road
East Leake
Loughborough
Leicestershire
LE12 6JX

INDEPENDENT AUDITORS

KPMG LLP
Statutory Auditor
Chartered Accountants
37 Albyn Place
Aberdeen
AB10 1JB

SMART STABILIZER SYSTEMS LIMITED

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SMART STABILIZER SYSTEMS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their Strategic Report, Directors' Report and the financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the company is the rental and repair of rotary steerable tool equipment.

BUSINESS REVIEW

The profit for the year, after taxation, amounted to £24,455,000 (2014 - loss £3,147,000).

On 1 December 2015, the Company sold its rotary steerable tools leasing business at fair market value. The trade consists of its fleet of rotary steerable tools and associated intellectual property for £68,688,000, resulting in a gain of £25,123,000. Prior to the sale, rotary steerable tools assets with net book value of £7,376,000 were disposed of, resulting in a gain on disposal of £800,000. Following the sale, the company continues its two other trades of rotary steerable tool repairs and research and development.

Turnover for the year increased to £45,633,000 (2014 - £42,505,000). Gross margin decreased to 17% in 2015, compared to 36% in 2014.

Administrative expenses have reduced in the year to £3,644,000 in 2015 compared to £4,317,000 in 2014.

Research and development spend in the year was £5,209,000 compared with £6,591,000 in 2014.

Profit before tax of £23,896,000 was achieved in the year, compared to profit before tax of £995,000 in 2014. This is mainly due to a gain on disposal of rotary steerable tools and intellectual property of £25,923,000.

Tangible fixed assets have decreased significantly in 2015 to £1,283,000 from £64,098,000 following the sale of the rotary steerable tool fleet.

FINANCIAL KEY PERFORMANCE INDICATORS

	2015 £000	Restated 2014 £000
Turnover	45,633	42,505
Gross profit	7,928	15,408
Gross margin	17%	36%
Administrative expenses	3,644	4,317
Operating profit	4,284	11,091
Profit before taxation	23,896	995
Fixed assets	1,286	64,101

OTHER KEY PERFORMANCE INDICATORS

	2015 No.	2014 No.
Rental tool fleet	-	6,273
Average number of employees	90	106

SMART STABILIZER SYSTEMS LIMITED

STRATEGIC REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2015

PRINCIPAL RISKS AND UNCERTAINTIES

Competitive risk

The Company is considered a leader in the oil and gas services industry but is open to the risk of competition. This risk is managed through diversification of product and service lines and the monitoring of activity in the market.

Financial risk

The Company's key financial risks are two fold. The first is interest rate risk and second is foreign exchange rate risk. While external borrowing is minimal, interest is charged on intercompany balances and loans. The Company monitors its intercompany debt position.

Foreign exchange rate risk is a factor as the Company deals with customers and suppliers all over the world. The Company manages this risk through planning and forecasting of receipts and payments in foreign currencies.

Market risk

The demand for the company's products and services is dependent on the activity in the exploration and production sector of the oil and gas industry. The industry is very volatile and the company proactively monitors market forces, including the price of oil, in order to manage such risks to the business.

PRIOR YEAR ADJUSTMENT

During the year ended 31 December 2014, £7,184,000 of finished goods were capitalised into plant and machinery. This was achieved through inter-divisional invoicing and incorrectly recorded as a nil margin sale. A prior year adjustment has therefore been recorded to reduce the reported revenue and cost of sales by £7,184,000. Profit after tax for the year ended 31 December 2014 remains unchanged.

This report was approved by the board on 6 July 2016 and signed on its behalf.



E R Prentice
Director

SMART STABILIZER SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their report and the financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITY

The principal activity of the Company was the rental and repair of rotary steerable tool equipment.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £24,455,000 (2014 - loss £3,147,000).

The directors do not propose payment of a dividend (2014 - £NIL).

DIRECTORS

The directors who served during the year were:

E R Prentice
J M Thomson
D Stroud (resigned 1 November 2015)
N A MacLeod

FUTURE DEVELOPMENTS

Following the sale of the rotary steerable tool fleet, the Company will continue to operate as a tool repair centre, servicing rotary steerable tools for affiliate companies around the world.

Current oil prices are expected to continue to impact on the exploration and production sector worldwide with reduced activity in the short term. While this is likely to result in continued reduced activity in 2016, the Company is comfortable that it will manage any such downturn in activity with working capital available through support from its parent company.

EMPLOYEE INVOLVEMENT

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings and the company newsletter. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

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, as far as possible, be identical to that of other employees.

SMART STABILIZER SYSTEMS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

POLICY ON QUALITY, HEALTH, SAFETY AND ENVIRONMENT

The directors are fully committed to the provision of safe, efficient operations at all worksites, both in the warehouse and in the office environments and comply with their legal obligations to ensure a safe and healthy working environment.

It is the policy of the Company:

- to comply with all applicable laws and regulations of the areas within which we operate or exceed compliance where our stated expectations require
- to conduct all operations in a manner that promotes safe work practices and minimises risk to our employees, our communities and the environment
- to implement programs, training and internal controls necessary to achieve our goals
- to ensure that every employee take responsibility for their own actions to ensure their personal safety and the safety of those around them, and that every employee must adopt a mind-set of hazard prevention in every daily business activity.

DISCLOSURE OF INFORMATION TO AUDITORS

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

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

POST BALANCE SHEET EVENTS

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

AUDITORS

The auditors, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 6 July 2016 and signed on its behalf.



E R Prentice
Director

SMART STABILIZER SYSTEMS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company financial statements 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;
- 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.

SMART STABILIZER SYSTEMS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SMART STABILIZER SYSTEMS LIMITED

We have audited the financial statements of Smart Stabilizer Systems Limited for the year ended 31 December 2015, set out on pages 8 to 26. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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, set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. 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 Financial Reporting Council's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2015 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

SMART STABILIZER SYSTEMS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SMART STABILIZER SYSTEMS LIMITED

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.



Paula Holland (Senior Statutory Auditor)
for and on behalf of
KPMG LLP
Statutory Auditor
Chartered Accountants
37 Albyn Place
Aberdeen
AB10 1JB

6 July 2016

SMART STABILIZER SYSTEMS LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	Continuing operations 2015 £000	Discontin'd operations 2015 £000	Total 2015 £000	Continuing operations As restated 2014 £000	Discontinued operations As restated 2014 £000	Total As restated 2014 £000
Turnover	3	14,985	30,648	45,633	13,043	29,462	42,505
Cost of sales		(20,135)	(17,570)	(37,705)	(9,037)	(18,060)	(27,097)
GROSS PROFIT/(LOSS)		<u>(5,150)</u>	<u>13,078</u>	<u>7,928</u>	<u>4,006</u>	<u>11,402</u>	<u>15,408</u>
Administrative expenses		(3,953)	309	(3,644)	(4,317)	-	(4,317)
OPERATING PROFIT/(LOSS)	4	<u>(9,103)</u>	<u>13,387</u>	<u>4,284</u>	<u>(311)</u>	<u>11,402</u>	<u>11,091</u>
Profit on sale of tangible fixed assets and intellectual property		-	25,923	25,923	-	355	355
Amounts written off investments		-	-	-	(53)	-	(53)
Interest receivable	8	909	272	1,181	745	1,085	1,830
Interest payable	9	(7,087)	(405)	(7,492)	(12,203)	(25)	(12,228)
PROFIT/(LOSS) BEFORE TAX		<u>(15,281)</u>	<u>39,177</u>	<u>23,896</u>	<u>(11,822)</u>	<u>12,817</u>	<u>995</u>
Tax on profit	10	(2,733)	2,174	(559)	(2,694)	6,836	4,142
PROFIT/(LOSS) FOR THE YEAR		<u>(12,548)</u>	<u>37,003</u>	<u>24,455</u>	<u>(9,128)</u>	<u>5,981</u>	<u>(3,147)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				<u>24,455</u>			<u>(3,147)</u>

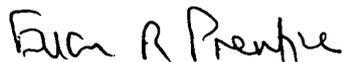
The notes on pages 12 to 26 form part of these financial statements.

SMART STABILIZER SYSTEMS LIMITED
REGISTERED NUMBER: 03812469

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	2015 £000	2014 £000
FIXED ASSETS			
Tangible assets	11	1,283	64,098
Investments	12	3	3
		<u>1,286</u>	<u>64,101</u>
CURRENT ASSETS			
Stocks	13	30,973	27,419
Debtors: amounts falling due within one year	14	57,729	56,527
Cash at bank and in hand		66	39
		<u>88,768</u>	<u>83,985</u>
Creditors: amounts falling due within one year	15	(28,824)	(62,073)
NET CURRENT ASSETS		59,944	21,912
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>61,230</u>	<u>86,013</u>
Creditors: amounts falling due after more than one year	16	(41,788)	(91,026)
NET ASSETS/(LIABILITIES)		<u>19,442</u>	<u>(5,013)</u>
CAPITAL AND RESERVES			
Called up share capital	17	142	142
Share premium account	18	63,214	63,214
Capital contribution	18	1,410	1,410
Profit and loss account	18	(45,324)	(69,779)
SHAREHOLDER'S FUNDS/(DEFICIT)		<u>19,442</u>	<u>(5,013)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 6 July 2016.



E R Prentice
 Director

The notes on pages 12 to 26 form part of these financial statements.

SMART STABILIZER SYSTEMS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015**

	Share capital £000	Share premium £000	Capital contribution £000	Retained earnings £000	Total equity £000
At 1 January 2015	142	63,214	1,410	(69,779)	(5,013)
COMPREHENSIVE INCOME FOR THE YEAR					
Profit for the year	-	-	-	24,455	24,455
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	24,455	24,455
TOTAL TRANSACTIONS WITH OWNERS	-	-	-	-	-
AT 31 DECEMBER 2015	142	63,214	1,410	(45,324)	19,442

SMART STABILIZER SYSTEMS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014**

	Share capital £000	Share premium £000	Capital contribution £000	Retained earnings £000	Total equity £000
At 1 January 2014	125	375	1,410	(66,632)	(64,722)
COMPREHENSIVE INCOME FOR THE YEAR					
Loss for the year	-	-	-	(3,147)	(3,147)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	(3,147)	(3,147)
Shares issued during the year	17	62,839	-	-	62,856
TOTAL TRANSACTIONS WITH OWNERS	17	62,839	-	-	62,856
AT 31 DECEMBER 2014	142	63,214	1,410	(69,779)	(5,013)

The notes on pages 12 to 26 form part of these financial statements.

SMART STABILIZER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Smart Stabilizer Systems Limited is limited by shares and domiciled in the United Kingdom.

Prior year adjustment

During the year ended 31 December 2014, £7,184,000 of finished goods were capitalised into plant and machinery. This was achieved through inter-divisional invoicing and incorrectly recorded as a nil margin sale. A prior year adjustment has therefore been recorded to reduce the reported revenue and cost of sales by £7,184,000. Profit after tax for the year ended 31 December 2014 remains unchanged.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the company has made no measurement and recognition adjustments, accordingly no reconciliation has been presented.

FRS 102 grants certain first time adoption exemptions from the full requirements of FRS 102. No exemptions were required to be taken in the financial statements.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.2 FINANCIAL REPORTING STANDARD 102 - REDUCED DISCLOSURE EXEMPTIONS

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash flow statement and related notes; and
- Key management personnel compensation.

As the consolidated financial statements of Weatherford International plc include the equivalent disclosures, the company has also taken the exemption under FRS 102 available in respect of the following disclosures:

- certain disclosures required by FRS102.26 Share Based Payments; and
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

SMART STABILIZER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.3 GOING CONCERN

The financial statements have been prepared on a going concern basis. The company has sufficient financial resources, in the form of amounts receivable from group undertakings, which will allow it to meet its liabilities as they fall due. The directors believe this basis to be appropriate after performing reviews of both historic and forecast financial and other data. Based on their reviews, the directors are confident that the company will continue in business for the foreseeable future and accordingly continue to adopt the going concern basis in preparing the annual report and financial statements.

1.4 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption available under Financial Reporting Standard 102 from disclosing transactions with its parent undertaking and other subsidiary undertakings where 100% or more voting rights are controlled within the group.

1.5 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, net of discounts, and excluding rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably, and;
- the costs incurred and the costs to complete the contract can be measured reliably.

1.6 TANGIBLE FIXED ASSETS

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to Income Statement during the period in which they are incurred.

SMART STABILIZER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold improvements	- 5 years
Plant & machinery	- 4 - 10 years
Fixtures & fittings	- 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of Comprehensive Income.

1.7 IMPAIRMENT OF FIXED ASSETS

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.8 OPERATING LEASES: LESSEE

Rentals paid under operating leases are charged to the Income Statement on a straight line basis over the period of the lease.

1.9 VALUATION OF INVESTMENTS

Investments in subsidiaries are measured at cost less accumulated impairment.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in Income Statement. Impairment losses are reversed only if the reasons for the impairment have ceased to apply.

The carrying value of an investment is reviewed annually, or when an event occurs that may be considered to impact the carrying value or the future of the investment.

SMART STABILIZER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.10 STOCKS AND WORK IN PROGRESS

Stocks and work in progress are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Income Statement.

1.11 DEBTORS

Short term debtors are measured at transaction price, less any impairment.

1.12 FINANCIAL INSTRUMENTS

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable.

Debt instruments, like loans and other accounts receivable and payable, are initially measured at present value of the future payments and subsequently at amortised cost using the effective interest method.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income Statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.13 CREDITORS

Short term creditors are measured at the transaction price.

SMART STABILIZER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.14 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Income Statement within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Income Statement within administrative expenses.

1.15 FINANCE COSTS

Finance costs are charged to the Income Statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

1.16 PENSIONS

DEFINED CONTRIBUTION PENSION PLAN

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payments obligations.

The contributions are recognised as an expense in the Income Statement when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

1.17 INTEREST INCOME

Interest income is recognised in the Income Statement using the effective interest method.

SMART STABILIZER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES (continued)

1.18 CURRENT AND DEFERRED TAXATION

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1.19 DISCONTINUED OPERATIONS

Discontinued operations are components of the company that have been disposed of at the reporting date and previously represented a separate major line of business or geographical area of operation.

They are included in the Income Statement in a separate column for the current and comparative periods, including the gain or loss on sale or impairment loss on abandonment.

SMART STABILIZER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

2. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a) Critical judgements in applying the entity's accounting policies

No critical judgements have been made in applying the company's accounting policies.

(b) Critical accounting estimates and assumptions

(i) Impairment of debtors

The Company makes an estimate of the recoverable value of amounts owed by group undertakings and other debtors. When assessing impairment of group and other debtors management considers factors including the ageing profile of debtors and historical experience. There have been no impairments recognised.

(ii) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are reassessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the leasehold, plant and equipment, and note 1.6 for the useful economic lives for each class of assets.

3. ANALYSIS OF TURNOVER

An analysis of turnover by class of business is as follows:

	2015	As restated 2014
	£000	£000
Provision of services	45,633	42,505

In the opinion of the directors, it would be prejudicial to the Company to disclose a geographical analysis.

4. OPERATING PROFIT

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

	2015	2014
	£000	£000
Research & development cost	5,209	6,591
Depreciation of tangible fixed assets	19,237	18,516
Foreign exchange gain	(1,680)	(2,997)
Defined contribution pension cost	250	296

SMART STABILIZER SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

5. AUDITORS' REMUNERATION

	2015 £000	2014 £000
Audit of these financial statements	33	37
	<u>33</u>	<u>37</u>

6. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	2015 £000	2014 £000
Wages and salaries	3,578	3,873
Social security costs	329	383
Cost of defined contribution scheme	250	296
	<u>4,157</u>	<u>4,552</u>

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

	2015 No.	2014 No.
Administrative	16	17
Operational	74	89
	<u>90</u>	<u>106</u>

7. DIRECTORS' REMUNERATION

	2015 £000	2014 £000
Directors' emoluments	117	144
Company contributions to defined contribution pension schemes	12	14
	<u>129</u>	<u>158</u>

During the year retirement benefits were accruing to 1 director (2014 - 1) in respect of defined contribution pension schemes.

8. INTEREST RECEIVABLE

	2015 £000	2014 £000
Interest receivable from group companies	1,181	1,830
	<u>1,181</u>	<u>1,830</u>

SMART STABILIZER SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

9. INTEREST PAYABLE

	2015 £000	2014 £000
Other interest payable	-	5
Interest payable to group companies	7,492	12,223
	<u>7,492</u>	<u>12,228</u>
	<u><u>7,492</u></u>	<u><u>12,228</u></u>

10. TAXATION

	2015 £000	2014 £000
CORPORATION TAX		
Current tax on profits for the year	251	2,513
Adjustments in respect of previous periods	(875)	779
	<u>(624)</u>	<u>3,292</u>
Group taxation relief	<u>(2,122)</u>	<u>-</u>
	<u>(2,746)</u>	<u>3,292</u>
	<u><u>(2,746)</u></u>	<u><u>3,292</u></u>
FOREIGN TAX		
Foreign tax on income for the year	2,187	850
	<u>2,187</u>	<u>850</u>
	<u><u>(559)</u></u>	<u><u>4,142</u></u>
TOTAL CURRENT TAX		

SMART STABILIZER SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

10. TAXATION (continued)

FACTORS AFFECTING TAX (CREDIT)/CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2014 - higher than) the standard rate of corporation tax in the UK of 20.25% (2014 - 21.49%). The differences are explained below:

	2015 £000	2014 £000
Profit on ordinary activities before tax	23,896	995
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014 - 21.49%)	4,838	214
EFFECTS OF:		
Expenses not deductible for tax purposes	14	2,485
Higher rate taxes on overseas earnings	107	110
Adjustments to tax charge in respect of prior periods	(875)	779
Non-taxable income	-	(653)
Losses	(4,945)	1,207
Other differences leading to an increase in the tax charge	78	-
Gains/rollover relief	224	-
TOTAL TAX (CREDIT) / CHARGE FOR THE YEAR	(559)	4,142

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

On 26 October 2015, further reductions in the UK rate to 19% from 1 April 2017 and 18% from 1 April 2020 were enacted. An additional reduction to 17% (effective 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the Company's future current tax charge accordingly. The deferred tax balance at 31 December 2015 has been calculated based on the average rate substantively enacted at the balance sheet date.

DEFERRED TAXATION

The company has potential deferred tax asset balances of:

	2015 £000	2014 £000
Accelerated capital allowances	128	5,616
Tax losses	529	787
Deferred tax asset not provided	(657)	(6,403)
Total	-	-

The Company has not recognised a deferred tax asset as there is insufficient evidence that the asset will reverse against future taxable profits in future periods.

SMART STABILIZER SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

11. TANGIBLE FIXED ASSETS

	Leasehold property £000	Plant & machinery £000	Fixtures & fittings £000	Other fixed assets £000	Total £000
COST OR VALUATION					
At 1 January 2015	2,268	121,585	361	4,400	128,614
Additions	10	7,945	-	228	8,183
Transfers intra group	-	1,446	-	-	1,446
Disposals	(602)	(131,637)	(1)	(1,823)	(134,063)
Transfers between classes	204	2,601	-	(2,805)	-
At 31 December 2015	<u>1,880</u>	<u>1,940</u>	<u>360</u>	<u>-</u>	<u>4,180</u>
DEPRECIATION					
At 1 January 2015	1,663	62,523	330	-	64,516
Charge owned for the period	139	19,086	12	-	19,237
Transfers intra group	-	(196)	-	-	(196)
Disposals	(587)	(80,072)	(1)	-	(80,660)
At 31 December 2015	<u>1,215</u>	<u>1,341</u>	<u>341</u>	<u>-</u>	<u>2,897</u>
NET BOOK VALUE					
At 31 December 2015	<u>665</u>	<u>599</u>	<u>19</u>	<u>-</u>	<u>1,283</u>
At 31 December 2014	<u>605</u>	<u>59,062</u>	<u>31</u>	<u>4,400</u>	<u>64,098</u>

SMART STABILIZER SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

12. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £000
COST	
At 1 January 2015	3,873
Disposals	(3,873)
At 31 December 2015	<u>3,873</u>
IMPAIRMENT	
At 1 January 2015	3,870
Impairment on disposals	(3,870)
At 31 December 2015	<u>3,870</u>
NET BOOK VALUE	
At 31 December 2015	<u>3</u>
At 31 December 2014	<u>3</u>

On 23 December 2015 Russell Oil Exploration Limited, a subsidiary entity, was liquidated. No gain or loss was reported on liquidation.

13. STOCKS

	2015 £000	2014 £000
Raw materials and consumables	-	24,164
Work in progress	8,768	2,470
Finished goods	22,205	785
	<u>30,973</u>	<u>27,419</u>

Stock recognised in the year as cost of sales amounted to £9,629,000 (2014 - £9,825,000)

SMART STABILIZER SYSTEMS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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14. DEBTORS

	2015 £000	2014 £000
Trade debtors	433	170
Amounts owed by group undertakings	49,459	51,718
Other debtors	7,605	4,373
Prepayments and accrued income	232	266
	<u>57,729</u>	<u>56,527</u>

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £000	2014 £000
Trade creditors	4,033	2,695
Amounts owed to group undertakings	15,944	58,407
Other creditors	111	53
Accruals and deferred income	8,736	918
	<u>28,824</u>	<u>62,073</u>

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

	2015 £000	2014 £000
Amounts owed to group undertakings	<u>41,788</u>	<u>91,026</u>

Amounts owed to group undertaking represents loans repayable on 26 March 2018. Interest is payable quarterly at 7.59%. The balance was repaid in full post year end.

17. SHARE CAPITAL

	2015 £000	2014 £000
ALLOTTED, CALLED UP AND FULLY PAID		
142,000 Ordinary shares of £1 each	<u>142</u>	<u>142</u>

SMART STABILIZER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

18. RESERVES

Share premium

The share premium reserve contains the premium arising on issue of shares.

Capital contribution

Contributions to the equity capital of the Company.

Profit & loss account

The profit and loss account includes all current and prior period retained profits and losses.

19. DISCONTINUED OPERATIONS

During the year, the Company sold its rotary steerable tools business:

	£000
Proceeds	76,862
	<u>76,862</u>

NET ASSETS DISPOSED OF:

Tangible fixed assets	(50,939)
	<u>50,939</u>
PROFIT ON DISPOSAL BEFORE TAX	<u>(25,923)</u>

The net inflow of cash in respect of the sale of rotary steerable tools and intellectual property is as follows:

	£000
Cash consideration on sale of fleet and intellectual property	68,688
Intercompany receivable on lost in hole assets prior to sale of fleet	8,174
NET INFLOW OF CASH	<u>76,862</u>

20. CAPITAL COMMITMENTS

The Company had capital commitments of £NIL (2014 - £1,655,000) contracted for but not provided in these financial statements.

SMART STABILIZER SYSTEMS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

21. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2015 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2015 £000	2014 £000
Not later than 1 year	45	49
Later than 1 year and not later than 5 years	61	102
TOTAL	106	151

22. RELATED PARTY TRANSACTIONS

The Company had the following related party transactions with associate companies that are not 100% controlled within the Weatherford group of companies:

Precision Drilling Services M.E W.L.L (49% owned by Weatherford International plc group).
Al Shaheen Well Services Company (50% owned by Weatherford International plc group).
Weatherford Del Peru S.R.L. (60% owned by Weatherford International plc group).

	2015 £000	2014 £000
Sales to associates	4,768	5,202
Trade debtor amounts due from associates	5,218	3,893
Interest	160	120

23. CONTROLLING PARTY

The Company's immediate parent company is Weatherford Holdings U.K. Limited, a company registered in Scotland. Weatherford International plc, a company registered in Ireland, is the company's ultimate parent company and ultimate controlling entity.

The largest and only group in which the results of the company are consolidated is that headed up by Weatherford International plc. Copies of the financial statements of Weatherford Holdings U.K. Limited can be obtained from the Registrar of Companies and copies of the financial statements of Weatherford International plc can be obtained from Bahnhofstrasse 1, Baar 6340, Switzerland.

24. FIRST TIME ADOPTION OF FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.