

873028

Tuboscope (UK) Limited

Report and Accounts

31 December 1998



 **ERNST & YOUNG**

Tuboscope (UK) Limited

Registered Number 873028

DIRECTORS

P J Stuart
R J Millett

SECRETARY

Paull & Williamsons
6 Union Row
Aberdeen AB10 1QY

AUDITORS

Ernst & Young
50 Huntly Street
Aberdeen AB10 1ZN

BANKERS

Barclays Bank PLC
1 Rubislaw Terrace
Aberdeen AB10 1BE

SOLICITORS

Paull & Williamsons
6 Union Row
Aberdeen AB10 1QY

REGISTERED OFFICE

5A Furze Hill
Purley
Surrey CR2 3LB

Tuboscope (UK) Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1998.

RESULTS AND DIVIDENDS

The trading profit for the year after taxation was £4,531,553 (1997 £3,855,807). The directors recommend that no dividend be paid and that the profit be transferred to reserves.

PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS

The company's principal activity during the year was that of manufacturing, wholesale and servicing of equipment and accessories to the oil and gas industry.

FIXED ASSETS

The changes in fixed assets during the year are summarised in note 9 to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors at 31 December 1998 were as follows:

P J Stuart
R J Millett

No director was interested in the share capital of the company at the year end.

DISABLED EMPLOYEES

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

EMPLOYEE INVOLVEMENT

During the year, the policy of providing employees with information about the group has been continued through their newsletter 'In Scope' in which employees have also been encouraged to present their suggestions and views on the group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

YEAR 2000 COMPLIANCE

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This could expose us to further risk in event that there is a failure by other parties to remedy their own year 2000 issues.

The company is well advanced in the phase of addressing the risks to our business resulting from the date change to the year 2000 and much of the cost of implementing the action plans has been subsumed into the recurring activities of the departments involved.

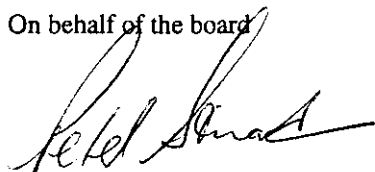
Tuboscope (UK) Limited

DIRECTORS' REPORT

AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

On behalf of the board



P J Stuart
Director

29 October 1999

Tuboscope (UK) Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which 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 year. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. 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.

REPORT OF THE AUDITORS
to the members of Tuboscope (UK) Limited

We have audited the accounts on pages 7 to 20, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 9 and 10.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

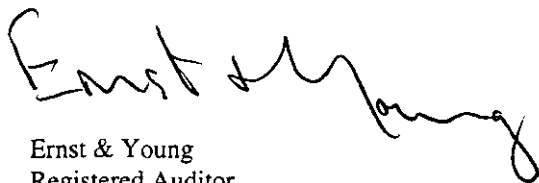
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Aberdeen

29 October 1999

Tuboscope (UK) Limited

PROFIT AND LOSS ACCOUNT

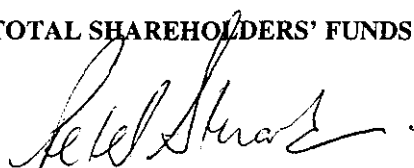
for the nine month year ended 31 December 1998

	<i>Notes</i>	<i>1998</i>	<i>1997</i>
		£	£
TURNOVER	2	35,668,596	11,279,071
Cost of sales		(22,586,794)	(7,252,279)
		<hr/>	<hr/>
GROSS PROFIT		13,081,802	4,026,792
Selling and distribution expenses		(1,717,388)	(527,544)
Administrative expenses		(6,786,751)	(1,780,451)
		<hr/>	<hr/>
OPERATING PROFIT	3	4,577,663	1,718,797
Income from investments		1,648,924	2,671,799
Bank interest receivable		78,409	6,977
Interest payable	4	(321,489)	(21,590)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		5,983,507	4,375,983
Taxation on profit on ordinary activities	7	1,451,954	520,176
		<hr/>	<hr/>
PROFIT RETAINED FOR THE FINANCIAL YEAR	19	4,531,553	3,855,807
		<hr/> <hr/>	<hr/> <hr/>
 STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES			
for the year ended 31 December 1998			
		<i>1998</i>	<i>1997</i>
		£	£
Profit for the financial year		4,531,553	3,855,807
Write-down of investment in subsidiary companies from pre-acquisition reserves		-	2,118,284
		<hr/>	<hr/>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		4,531,553	1,737,523
		<hr/> <hr/>	<hr/> <hr/>

Tuboscope (UK) Limited

BALANCE SHEET at 31 December 1998

	<i>Notes</i>	<i>1998</i> £	<i>1997</i> £
FIXED ASSETS			
Intangible asset	8	2,498,907	2,693,187
Tangible assets	9	10,549,392	9,902,986
Investments	10	18,808,290	12,314,611
		<u>31,856,589</u>	<u>24,910,784</u>
CURRENT ASSETS			
Stocks	11	6,004,611	3,472,989
Debtors - amounts falling due:			
within one year	12	9,561,324	11,269,816
after one year	13	1,646,155	2,987,173
Cash at bank and in hand		8,259	2,080,061
		<u>17,220,349</u>	<u>19,810,039</u>
CREDITORS: amounts falling due within one year	14	12,198,955	18,906,474
NET CURRENT ASSETS		<u>5,021,394</u>	<u>903,565</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>36,877,983</u>	<u>25,814,349</u>
CREDITORS: amounts falling due after more than one year	15	5,134,686	5,007,492
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	17	215,989	300,102
		<u>31,527,308</u>	<u>20,506,755</u>
CAPITAL AND RESERVES			
Called up share capital	18	20,847,421	14,358,421
Share premium account	19	202,167	202,167
Revaluation reserve	19	188,916	193,316
Profit and loss account	19	10,288,804	5,752,851
TOTAL SHAREHOLDERS' FUNDS		<u>31,527,308</u>	<u>20,506,755</u>



P J Stuart, Director

29 October 1999

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1998

1. ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared under the historical cost accounting convention and in accordance with applicable accounting standards, modified to include the revaluation of certain land and buildings.

Group accounts

The accounts present information about the company as an individual undertaking and not about its group. The company is not required to prepare group accounts under section 248 of the Companies Act 1985. Group accounts are prepared for the immediate parent company (see note 23).

Cashflow Statement

The company has taken advantage of the exemptions within FRS1 and has not produced a cashflow statement.

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected life, as follows:

Freehold buildings	30 -50 years
Plant and machinery	5 - 20 years
Rental equipment	3 - 10 years
Motor vehicles	3 - 4 years
Fixtures and fittings	5 - 10 years
Leasehold improvements	10 years

No depreciation is provided on freehold land.

Gains or losses on disposals of rental equipment

The trading activities of offshore rental equipment in which the company trades, are an integral part of the company's business. Gains or losses on disposals of these assets, which are a recurring feature of the company's business are considered to be operating items and accordingly are included within operating profit and are separately disclosed within the company's accounts.

Stocks

Stocks are stated at the lower of cost and net realisable value:

Cost includes all costs incurred in bringing each product to its present location and condition.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1998

1. ACCOUNTING POLICIES (continued)

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

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 are translated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital element of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the years of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Pensions

The company operates a hybrid scheme funded by contributions made to a separately administered fund.

Contributions to this fund are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives. Differences between the amounts funded and the amounts charged to the profit and loss account are treated as either provisions or prepayments in the balance sheet.

Research and development

Research and development expenditure is written off as incurred, except that development expenditure incurred on specific projects intended for commercial exploitation is carried forward when its recoverability can be foreseen with reasonable assurance. Such expenditure is amortised over the years expected to benefit from it, commencing with the year in which related sales are first made.

2. TURNOVER

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties.

Turnover, is attributable to the manufacturing, wholesale and servicing of equipment and accessories to the offshore oil and gas industry.

Tuboscope (UK) Limited competes internationally in the oil services industry. In the opinion of the directors, the disclosure of separate geographical segmental information would be seriously prejudicial to the interests of the company.

3. OPERATING PROFIT

This is stated after charging or (crediting):

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1998

3. OPERATING PROFIT

This is stated after charging or (crediting):

	1998 £	1997 £
Depreciation of owned fixed assets	1,555,041	459,423
Depreciation of assets held under finance leases and hire purchase contracts	28,444	11,431
Operating lease rentals - land and buildings	371,616	48,490
- plant and machinery	234,592	-
Auditors' remuneration	41,000	10,800
Research and development expenditure	-	11,409
Gain on disposals of fixed assets	(27,978)	(11,940)
Foreign exchange (gains)/losses	11,598	(69,524)
	<u>1,555,041</u>	<u>459,423</u>

4. INTEREST PAYABLE

	1998 £	1997 £
Interest on bank loans and overdrafts	5,052	18,576
Interest on underpaid tax	246	-
Interest on group loans	303,666	-
Interest on finance leases	12,525	3,014
	<u>321,489</u>	<u>21,590</u>

5. STAFF COSTS

	1998 £	1997 £
Wages and salaries	7,701,580	2,097,628
Social security costs	714,328	174,432
Other pension costs	336,401	123,305
	<u>8,752,309</u>	<u>2,395,365</u>

The average weekly number of employees during the year was as follows:

	1998 No	1997 No
Production	225	64
Sales	38	8
Administration	79	20
	<u>342</u>	<u>92</u>

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1998

6. DIRECTORS' EMOLUMENTS

	1998 £	1997 £
Emoluments	174,146	192,653
	<u>174,146</u>	<u>192,653</u>
	1998 £	1997 £
Employer contributions paid to company pension scheme	10,678	15,832
	<u>10,678</u>	<u>15,832</u>
	1998 No	1997 No
Members of company pension scheme	1	4
	<u>1</u>	<u>4</u>

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1998 £	1997 £
UK corporation tax	1,275,503	520,176
Deferred taxation	(176,451)	-
	<u>1,451,954</u>	<u>520,176</u>

8. INTANGIBLE FIXED ASSETS

	<i>Goodwill</i> £
Cost:	
At 1 January 1998 and 31 December 1997	2,693,187
	<u>2,693,187</u>
Amortisation	
At 1 January 1998	-
Provided during year	194,280
	<u>194,280</u>
Net book value at 31 December 1998	2,498,907
	<u>2,498,907</u>
Net book value at 1 January 1998	2,693,187
	<u>2,693,187</u>

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1998

8. INTANGIBLE FIXED ASSETS (continued)

Goodwill transferred from Tuboscope Vetco (UK) Limited represents the goodwill which arose on the acquisition of the assets, liabilities and business of inspection and non destructive testing of tubular goods from Tuboscope Pipeline Services Limited.

The cost of this earlier transaction amounted to the net assets acquired plus the unamortised element of the goodwill which was paid by Tuboscope Pipeline Services Limited when the business was originally acquired from a third party in October 1991. The remaining goodwill is being amortised over the balance of the original 20 years of its estimated useful life.

9. TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings (including leasehold improvements) £</i>	<i>Plant and machinery including rental equipment £</i>	<i>Motor vehicles £</i>	<i>Fixtures £</i>	<i>Total £</i>
Cost or valuation:					
At 1 January 1998	5,419,388	14,204,244	415,779	597,704	20,637,115
Additions	26,349	804,021	26,000	100,251	956,621
Disposals	(1,417)	(619,204)	(80,936)	(21,947)	(723,504)
Transfers from group companies	842,296	2,382,996	129,414	432,869	3,787,575
At 31 December 1998	6,286,616	16,772,057	490,257	1,108,877	24,657,807
Depreciation:					
At 1 January 1998	560,409	9,412,405	258,703	502,612	10,734,129
Charge for year	191,369	1,178,339	90,490	123,287	1,583,485
Disposals	(984)	(174,658)	(54,220)	(18,807)	(248,669)
Transfers from group companies	86,910	1,534,394	90,947	327,219	2,039,470
At 31 December 1998	837,704	11,950,480	385,920	934,311	14,108,415
Net book value:					
At 31 December 1998	5,448,912	4,821,577	104,337	174,566	10,549,392
At 1 January 1998	4,858,979	4,791,839	157,076	95,092	9,902,986

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1998

9. TANGIBLE FIXED ASSETS (continued)

Within the company's freehold land and buildings the following properties were revalued at 31 March 1994 on an open market basis:

	<i>Revalued amount</i>	<i>Historical cost</i>
	£	£
Noble Road, Dundee	325,000	271,980
Waldron Road, Montrose	375,000	316,447
	<u>700,000</u>	<u>588,427</u>

Particulars relating to revalued assets are given below:

	<i>1998</i>	<i>1997</i>
	£	£
At 31 March 1994 open market value	700,000	700,000
Aggregate depreciation thereon	(67,640)	(53,640)
Net book value	<u>632,360</u>	<u>646,360</u>
Historical cost of revalued assets	588,427	588,427
Aggregate depreciation based on historical cost	(131,535)	(119,766)
Historical cost net book value	<u>456,892</u>	<u>468,661</u>

If these properties were sold at revalued amounts, a taxation charge of approximately £9,000 would arise.

The cost or valuation of land and buildings includes £5,146,259 (1997 - £3,953,277) of depreciable assets.

Included in the total net book value of fixtures and fittings is £138,057 (1997 - £11,431) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £28,444 (1997 £11,431).

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS at 31 December 1998

10. FIXED ASSET INVESTMENTS

	<i>Subsidiary undertakings</i> £
Cost:	
At 1 January 1998	14,432,895
Additions	6,493,679
At 31 December 1998	<u>20,926,574</u>
Amounts written off:	
At 1 January 1998	2,118,284
During the year	-
At 31 December 1998	<u>2,118,284</u>
Net book value at 31 December 1998	<u>18,808,290</u>
Net book value at 1 January 1998	<u>12,314,611</u>

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1998

10. FIXED ASSET INVESTMENTS (continued)

Details of the investments in which the company holds more than 20% of the nominal value of any class of share capital are as follows:

<i>Name of company</i>	<i>Country of incorporation</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Subsidiary undertakings				
Environmental Procedures (UK) Limited	Great Britain	Ordinary shares	100%	Dormant
The Brandt Company (UK) Limited	Great Britain	Ordinary shares	100%	Dormant
Tuboscope Vetco (UK) Limited	Great Britain	Ordinary shares	100%	Dormant
Tuboscope Vetco Capital Limited	Great Britain	Ordinary shares	100%	Dormant
Pump Systems Limited	Great Britain	Ordinary shares	50.1% *	*Dormant
Chargewood Limited	Great Britain	Ordinary shares	100%	Dormant
Enaco PLC	Great Britain	Ordinary shares	100%	Dormant
Enaco Mudcat	Great Britain	Ordinary shares (held directly by Enaco PLC)	100%	Dormant
SSR (International) Ltd	Great Britain	Ordinary and Preference	100%	Dormant
Pressure Control Engineering Ltd	Great Britain	Ordinary shares	100%	Dormant
SSR Engineering A/S	Norway	Ordinary shares	100%	Not trading

* The remaining interest is held by Enaco PLC

Tuboscope (UK) Limited is exempt from disclosing the aggregate capital and reserve at the end of its most recent financial year, and the profit or loss for the year of each subsidiary as group accounts are prepared by Tuboscope Holdings Limited - the immediate parent company.

In the opinion of the directors, the aggregate value of the investment in subsidiary undertakings is not less than the amount at which they are stated in the accounts.

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS at 31 December 1998

11. STOCKS

	1998 £	1997 £
Raw material and consumables	314,757	195,859
Work in progress	2,037,459	689,515
Finished goods and goods for resale	3,652,395	2,587,615
	<u>6,004,611</u>	<u>3,472,989</u>

12. DEBTORS: amounts falling due within one year

	1998 £	1997 £
Trade debtors	5,294,765	3,685,335
Amounts owed by other group undertakings	2,082,290	4,023,354
Amounts owed by subsidiary undertakings	119,929	2,541,542
Prepayments and accrued income	1,946,330	1,041,208
Other debtors	118,010	(21,623)
	<u>9,561,324</u>	<u>11,269,816</u>

13. DEBTORS: amounts falling due after more than one year

	1998 £	1997 £
Amounts owed by subsidiary undertakings	1,646,155	2,987,173
	<u>1,646,155</u>	<u>2,987,173</u>

14. CREDITORS: amounts falling due within one year

	1998 £	1997 £
Bank overdraft	527,554	2,477,881
Trade creditors	1,420,353	1,393,805
Amounts due to fellow subsidiary undertakings	4,559,105	6,546,263
Amounts due to subsidiary undertakings	1,063,549	333,238
Amounts owed to group undertakings	1,305,170	5,157,997
Obligations under finance leases and HP commitments (note 16)	21,598	-
Taxation and social security	155,022	99,972
Corporation tax	1,585,204	1,636,885
Accruals and deferred income	1,516,895	926,863
Pension scheme (Note 22)	33,406	40,252
Other creditors	11,099	293,318
	<u>12,198,955</u>	<u>18,906,474</u>

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1998

15. CREDITORS: amounts falling due after more than one year

	1998 £	1997 £
Amounts due to group undertakings	3,764,846	3,367,468
Amounts due to subsidiary undertakings	1,349,501	1,640,024
Obligations under financial leases and HP commitments	20,339	-
	<u>5,134,686</u>	<u>5,007,492</u>

16. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	1998 £	1997 £
Amounts payable:		
Within one year	13,883	-
In two to five years	38,585	-
	<u>52,468</u>	<u>-</u>
Less: finance charges allocated to future years	10,531	-
	<u>41,937</u>	<u>-</u>
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations (note 14)	21,598	-
Non-current obligations	20,339	-
	<u>41,937</u>	<u>-</u>

Analysis of changes in finance leases and hire purchase contracts during the current and previous years:

	1998 £	1997 £
At 1 January 1998	-	16,186
Transfer from group companies	75,894	-
Additions	24,300	-
Capital element of finance lease rental payments	(58,257)	16,186
	<u>41,937</u>	<u>-</u>
At 31 December 1998	<u>41,937</u>	<u>-</u>

17. PROVISION FOR LIABILITIES AND CHARGES

The movements in deferred taxation during the current and previous years are as follows:

	1998 £	1997 £
At 1 January	300,102	106,738
Charge for the year (note 7)	(176,451)	12,766
Transfers from group companies	92,338	180,598
	<u>215,989</u>	<u>300,102</u>
At 31 December	<u>215,989</u>	<u>300,102</u>

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1998

17. PROVISION FOR LIABILITIES AND CHARGES (continued)

Deferred taxation provided in the accounts and not provided are as follows:

	<i>Provided</i>		<i>Unprovided</i>	
	<i>1998</i>	<i>1997</i>	<i>1998</i>	<i>1997</i>
	£	£	£	£
Capital allowances in advance of depreciation	555,856	465,538	-	290,163
Other timing differences	(339,867)	(165,436)	-	(296,105)
	<u>215,989</u>	<u>300,102</u>	<u>-</u>	<u>(5,942)</u>

18. SHARE CAPITAL

	<i>Authorised</i>		<i>Issued, called up and fully paid</i>	
	<i>1998</i>	<i>1977</i>	<i>1998</i>	<i>1997</i>
	£	£	£	£
Ordinary shares of £1 each	21,000,000	21,000,000	20,847,421	14,358,421

19. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	<i>Share capital</i>	<i>Share premium</i>	<i>Revaluation reserve</i>	<i>Profit and loss account</i>	<i>Total</i>
	£	£	£	£	£
At 31 March 1997	1,258,421	202,167	197,716	4,010,928	5,669,232
Release of revaluation reserve	-	-	(4,400)	4,400	-
Unrealised loss	-	-	-	(2,118,284)	(2,118,284)
Profit for the year	-	-	-	3,855,807	3,855,807
Issued during year	13,100,000	-	-	-	13,100,000
	<u>14,358,421</u>	<u>202,167</u>	<u>193,316</u>	<u>5,752,851</u>	<u>20,506,755</u>
At 1 January 1998	14,358,421	202,167	193,316	5,752,851	20,506,755
Profit for year	-	-	-	4,531,553	4,531,553
Release of revaluation reserve	-	-	(4,400)	4,400	-
Issued during year	6,489,000	-	-	-	6,489,000
	<u>20,847,421</u>	<u>202,167</u>	<u>188,916</u>	<u>10,288,804</u>	<u>31,527,308</u>

20. CONTINGENT LIABILITIES

At 31 December 1998, the company had contingent liabilities in respect of outstanding guarantees given for performance bonds and contracting agreements entered into in the normal course of business.

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1998

21. FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	Other		Land and buildings	
	1998	1997	1998	1997
	£	£	£	£
Operating leases which expire:				
Within one year	27,181	-	188,000	16,653
In two to five years	111,620	-	32,460	-
In over five years	54,240	-	70,000	-
	<u>193,041</u>	<u>-</u>	<u>290,460</u>	<u>16,653</u>

22. PENSION COMMITMENTS

The group operates a hybrid pensions scheme. Employees of the former Drexel Equipment (UK) Limited and other key employees contribute to the defined benefit section of the plan. At present a significant proportion of these assets are held in a separate fund. It is anticipated that these assets will be transferred into the main hybrid scheme when the wind up of this fund is completed. All other employees contribute to the defined contribution section of the plan. The pension plan is set up under trust and the assets are held separately from those of the company.

The pension cost for the defined benefit section which is charged to the profit and loss account is calculated by an independent actuary. It is calculated in such a way that the cost of pensions is spread over the employees' working lives with the company. The most recent actuarial valuation of the separate scheme has an effective date of 5 April 1998. The method used in this valuation is the discontinuance basis as the plan is being wound up.

The most significant assumption in this valuation relates to the rate of return on the investments. The investment return used was between 8% and 9%. The actuary is also carrying out the valuation of the hybrid pension scheme as at 5 April 1998 where different assumptions may be adopted.

The actuarial valuations of the scheme being wound up at 6 April 1998 showed that the market value of the assets was £3,849,474 and that the actuarial value of those assets represented 98% of the liability under the valuation method, for service to the valuation date. The shortfall will be reassessed following the transfer of assets to the new scheme, and if a shortfall still exists, it will be removed in the short to medium term by increasing the employer contribution rate.

23. RELATED PARTIES

The company's ultimate parent undertaking is Tuboscope Inc, a company incorporated in the United States of America. The consolidated accounts of Tuboscope Holdings Limited are those of the smallest group of which the company is a member and for which group accounts are prepared. Copies of these accounts are available from Companies House. The consolidated accounts of Tuboscope Inc are those of the largest group of which the company is a member and for which group accounts are prepared. Copies of these accounts are available from Tuboscope Inc, PO Box 808, Houston, Texas, USA.

The company has taken advantage of the exemption provided in Financial Reporting Standard No. 8 "Related Party Disclosures" not to disclose transactions with entities which form part of the group.