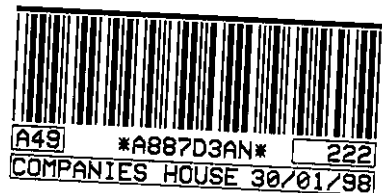


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Drexel Equipment (UK) Limited

Report and Accounts

31 December 1996



Drexel Equipment (UK) Limited

Registered Number 873028

DIRECTORS

D Barrett resigned 7 July 1997
J E McAnally resigned 7 July 1997
C D Harriman resigned 7 July 1997
P J Stuart
H M Murray resigned 7 July 1997
F B McCafferty resigned 7 July 1997
R J Millett appointed 24 July 1997

SECRETARY

Paul & Williamsons
6 Union Row
Aberdeen AB10 1QY

AUDITORS

Ernst & Young
50 Huntly Street
Aberdeen, AB10 1ZN

BANKERS

Barclays Bank PLC
1 Rubislaw Terrace
Aberdeen AB9 1BE

SOLICITORS

Paul & Williamsons
6 Union Row
Aberdeen AB10 1QY

REGISTERED OFFICE

5A Furze Hill
Purley
Surrey CR2 3LB

Drexel Equipment (UK) Limited

DIRECTORS' REPORT

The directors present their report and accounts for the nine month period ended 31 December 1996.

RESULTS AND DIVIDENDS

The trading profit for the period after taxation was £883,940 (1996 - year £1,060,523). 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 period was that of manufacturing, wholesaling and servicing of equipment and accessories to the oil and gas industry.

On 24 April 1996 the entire share capital of Drexel Oilfield Services Limited and its subsidiary companies was acquired by Tuboscope Vetco International Corporation.

FIXED ASSETS

The changes in fixed assets during the period are summarised in note 8 to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors at 31 December 1996 were as follows:

D Barrett
J E McAnally
C D Harriman
P J Stuart
H M Murray
F B McCafferty

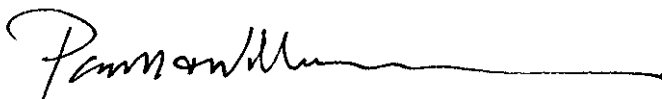
No director was interested in the share capital of the company at the year end.

In addition to the above, LY Loh was a director until his resignation on 25 May 1996, as was D S Lumsden until his resignation on 18 October 1996.

AUDITORS

Ernst & Young were appointed auditors during the period. 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



Paul & Williamson
Secretary

26 January 1998

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 period. 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- 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 Drexel Equipment (UK) Limited

We have audited the accounts on pages 6 to 17, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8 and 9.

Respective responsibilities of directors and auditors

As described on page 4 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.

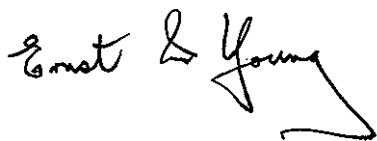
Basis of opinion

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 1996 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
Aberdeen

26 January 1998

Drexel Equipment (UK) Limited

PROFIT AND LOSS ACCOUNT

for the nine month period ended 31 December 1996

	<i>Notes</i>	<i>9 months to 31/12/96</i>	<i>Year to 31/3/96</i>
		£	£
TURNOVER	2	9,112,614	10,273,614
Cost of sales		(5,868,447)	(7,322,341)
GROSS PROFIT		3,244,167	2,951,273
Selling and distribution expenses		(702,747)	(690,214)
Administrative expenses		(1,175,441)	(677,517)
OPERATING PROFIT	3	1,365,979	1,583,542
Bank interest receivable		4,335	10,746
Interest payable	4	(26,127)	(44,965)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,344,187	1,549,323
Taxation on profit on ordinary activities	7	460,247	488,800
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		883,940	1,060,523
PROFIT RETAINED FOR THE FINANACIAL YEAR	17	883,940	1,060,523

STATEMENT OF RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses for the period other than the profit of £883,940 for the nine months ended 31 December 1996 (12 months ended 31 March 1996 - £1,060,523).

Drexel Equipment (UK) Limited

BALANCE SHEET

at 31 December 1996

	Notes	31/12/96 £	31/3/96 £
FIXED ASSETS			
Tangible assets	8	2,711,357	2,628,734
Investments	9	32,895	32,895
		<u>2,744,252</u>	<u>2,661,629</u>
CURRENT ASSETS			
Stocks	10	2,695,243	2,882,371
Debtors	11	2,920,425	2,892,204
Cash at bank and in hand		224,639	122,032
		<u>5,840,307</u>	<u>5,896,607</u>
CREDITORS: amounts falling due within one year	12	2,602,326	3,428,884
NET CURRENT ASSETS		<u>3,237,981</u>	<u>2,467,723</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>5,982,233</u>	<u>5,129,352</u>
CREDITORS: amounts falling due after more than one year	13	206,263	281,560
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	15	106,738	62,500
		<u>5,669,232</u>	<u>4,785,292</u>
CAPITAL AND RESERVES			
Called up share capital	16	1,258,421	1,258,421
Share premium account	17	202,167	202,167
Revaluation reserve	17	197,716	202,116
Profit and loss account	17	4,010,928	3,122,588
TOTAL SHAREHOLDERS' FUNDS		<u>5,669,232</u>	<u>4,785,292</u>



P J Stuart, Director

26 January 1998

Drexel Equipment (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

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 company is not required to prepare group accounts under section 248 of the Companies Act 1985. The company fulfils the criteria of a medium sized company as set out in section 247 of the Companies Act 1985.

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	50 years
Plant and machinery	5 - 7 years
Rental equipment	10 years
Motor vehicles	4 years
Fixtures and fittings	5 - 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 as follows:

Cost 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.

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 estimated that taxation will be payable.

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.

Drexel Equipment (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

1. ACCOUNTING POLICIES (continued)

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 periods 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 defined benefit 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 periods expected to benefit from it, commencing with the period in which related sales are first made.

2. TURNOVER

Turnover represents the invoiced value of goods sold during the period, stated net of value added tax.

An analysis of turnover by market is given below:

	<i>9 months to 31/12/96</i>	<i>Year to 31/3/96</i>
	£	£
United Kingdom	4,228,649	4,059,114
The Rest of Europe	2,110,563	2,870,248
United States of America	1,257,092	2,009,068
Asia	564,811	742,411
Africa	951,499	592,773
	<u>9,112,614</u>	<u>10,273,614</u>

Drexel Equipment (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

3. OPERATING PROFIT

This is stated after charging or (crediting):

	<i>9 months to 31/12/96</i>	<i>Year to 31/3/96</i>
	£	£
Depreciation of owned fixed assets	315,393	368,963
Depreciation of assets held under finance leases and hire purchase contracts	24,128	14,392
Operating lease rentals - land and buildings	60,958	61,000
Auditors' remuneration	13,750	16,000
Research and development expenditure	105,869	84,526
Gain on disposals of fixed assets	(14,032)	(1,726)
Foreign exchange losses	231,675	68,490
	<u>315,393</u>	<u>368,963</u>

4. INTEREST PAYABLE

	<i>9 months to 31/12/96</i>	<i>Year to 31/3/96</i>
	£	£
Interest on bank loans and overdrafts	7,989	39,071
Interest on finance leases	18,138	5,894
	<u>26,127</u>	<u>44,965</u>

5. STAFF COSTS

	<i>9 months 31/12/96</i>	<i>Year to 31/3/96</i>
	£	£
Wages and salaries	1,692,551	2,134,326
Social security costs	147,777	169,700
Other pension costs	101,420	122,280
	<u>1,941,748</u>	<u>2,426,306</u>

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

	<i>31/12/96</i>	<i>31/3/96</i>
	<i>No</i>	<i>No</i>
Production	61	65
Sales	12	11
Research and development	2	2
Administration	22	21
	<u>97</u>	<u>99</u>

Drexel Equipment (UK) Limited

NOTES TO THE ACCOUNTS at 31 December 1996

6. DIRECTORS' REMUNERATION

	<i>9 months to 31/12/96</i>	<i>Year to 31/3/96</i>
	£	£
Emoluments as executives	259,553	267,921
Compensation for loss of office	20,000	-
	<u>279,553</u>	<u>267,921</u>

The emoluments, excluding pension contributions, of the highest paid director were £72,363 (31/3/96 £56,611).

Compensation for loss of office represents a cash payment to D S Lumsden upon his resignation as director of the company.

Directors' emoluments, excluding pension contributions, fell within the following ranges:

	<i>31/12/96</i>	<i>31/3/96</i>
	<i>No</i>	<i>No</i>
£ Nil - £5,000	3	3
£20,001 - £25,000	1	-
£30,001 - £35,000	1	-
£35,001 - £40,000	-	-
£40,001 - £45,000	1	2
£45,001 - £50,000	1	1
£50,001 - £55,000	-	-
£55,001 - £60,000	-	2
£60,001 - £65,000	1	-
	<u> </u>	<u> </u>

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<i>9 months 31/12/96</i>	<i>Year to 31/3/96</i>
	£	£
UK corporation tax at 33% (31/3/96 33%)	416,009	441,799
Deferred taxation	44,238	62,500
Adjustment relating to an earlier year	-	(15,499)
	<u>460,247</u>	<u>488,800</u>

Drexel Equipment (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

8. TANGIBLE FIXED ASSETS

	<i>Freehold land and buildings</i>	<i>Plant and machinery including rental equipment</i>	<i>Motor vehicles</i>	<i>Fixtures</i>	<i>Total</i>
	£	£	£	£	£
Cost or valuation:					
At 1 April 1996	881,092	4,907,047	234,533	461,657	6,484,329
Additions	5,843	355,221	77,326	11,901	450,291
Disposals	-	(48,060)	(76,779)	(1,945)	(126,784)
At 31 December 1996	886,935	5,214,208	235,080	471,613	6,807,836
Depreciation:					
At 1 April 1996	87,633	3,343,666	125,026	299,271	3,855,596
Charge for period	17,653	225,816	37,803	58,249	339,521
Disposals	-	(36,091)	(60,764)	(1,783)	(98,638)
At 31 December 1996	105,286	3,533,391	102,065	355,737	4,096,479
Net book value:					
At 31 December 1996	781,649	1,680,817	133,015	115,876	2,711,357
At 31 March 1996	793,459	1,563,381	109,507	162,386	2,628,733

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
	700,000	588,427

Drexel Equipment (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

8. TANGIBLE FIXED ASSETS (continued)

Particulars relating to revalued assets are given below:

	31/12/96	31/3/96
	£	£
At 31 March 1994 open market value	700,000	700,000
Aggregate depreciation thereon	(39,640)	(29,140)
Net book value	<u>660,360</u>	<u>670,860</u>
Historical cost of revalued assets	588,427	588,427
Aggregate depreciation based on historical cost	(107,997)	(99,171)
Historical cost net book value	<u><u>480,430</u></u>	<u><u>489,256</u></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 £791,934 (31/3/96 £786,092) of depreciable assets.

Included in the total net book value of fixtures and fittings is £43,602 (31/3/96 £51,649) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the period on these assets was £24,128 (31/3/96 £14,392).

9. FIXED ASSET INVESTMENTS

	<i>Shares in subsidiary undertakings</i>
	£
Cost:	
At beginning and end of year	44,663
Provisions:	
At beginning and end of year	11,768
At 31 December 1996	<u>32,895</u>
At 31 March 1996	<u><u>32,895</u></u>

Details of the investments in which the company holds more than 10% 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>
<i>Subsidiary undertakings</i>				
Environmental Procedures (UK) Limited	Great Britain	Ordinary shares	100%	Not trading
The Brandt Company (UK) Limited	Great Britain	Ordinary shares	100%	Dormant

Drexel Equipment (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

9. FIXED ASSET INVESTMENTS (continued)

The profit of Environmental Procedures (UK) Limited attributable to members of the parent undertaking in the period ended 31 December 1996 was £15,413. The equity value of the company's investment in Environmental Procedures (UK) Limited at 31 December 1996 was £22,593.

The equity value of the company's investment in The Brandt Company (UK) Limited at 31 December 1996 was a deficit of £119,929.

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.

10. STOCKS

	31/12/96	31/3/96
	£	£
Raw material and consumables	60,827	49,122
Work in progress	1,066,765	1,102,018
Finished goods and goods for resale	1,567,651	1,731,231
	<u>2,695,243</u>	<u>2,882,371</u>

11. DEBTORS

	31/12/96	31/3/96
	£	£
Trade debtors	1,316,110	1,447,065
Amounts owed by other group undertakings	1,592,898	1,359,577
Prepayments and accrued income	50,629	53,051
Other debtors	(39,212)	32,511
	<u>2,920,425</u>	<u>2,892,204</u>

12. CREDITORS:

amounts falling due within one year

	31/12/96	31/3/96
	£	£
Term loans (Note 13)	81,319	74,100
Trade creditors	529,989	587,672
Amounts owed to group undertakings	773,742	1,152,243
Obligations under finance leases	16,186	30,910
Taxation and social security	55,957	63,166
Corporation tax	418,326	441,799
Accruals and deferred income	662,255	996,217
Pension scheme (Note 19)	64,552	82,777
	<u>2,602,326</u>	<u>3,428,884</u>

The company has provided to its bankers a standard security over its freehold property and a floating charge over all other assets in respect of all overdrafts and term loans.

Drexel Equipment (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

13. CREDITORS:

amounts falling due after more than one year

	31/12/96	31/3/96
	£	£
Obligations under finance leases	-	8,154
Term loans	206,263	273,406
	<u>206,263</u>	<u>281,560</u>

There are two term loans repayable in monthly instalments over periods ranging from one year to five years. The rate of interest applied is 1.5% and 1.75% over bank base rate. The term loans are repayable as follows:

	1996	1995
	£	£
Within one year	81,319	74,100
Between one and two years	81,319	74,100
Between two and five years	124,944	199,306
	<u>287,582</u>	<u>347,506</u>

14. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	31/12/96	31/5/96
	£	£
Amounts payable:		
Within one year	16,833	33,664
In two to five years	-	8,416
	<u>16,833</u>	<u>42,080</u>
Less: finance charges allocated to future periods	647	3,016
	<u>16,186</u>	<u>39,064</u>
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations (note 12)	16,186	30,910
Non-current obligations	-	8,154
	<u>16,186</u>	<u>39,064</u>

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

	31/12/96	31/3/96
	£	£
At 1 April	39,064	69,788
Capital element of finance lease rental payments	22,878	30,724
At 31 December/31 March	<u>16,186</u>	<u>39,064</u>

Drexel Equipment (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

15. PROVISION FOR LIABILITIES AND CHARGES

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

	31/12/96	31/3/96
	£	£
At 1 April	62,500	-
Charge for the period	44,238	62,500
At 31 December/31 March	<u>106,738</u>	<u>62,500</u>

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

	<i>Provided</i>		<i>Unprovided</i>	
	31/12/96	31/3/96	31/12/96	31/3/96
	£	£	£	£
Capital allowances in advance of depreciation	182,642	138,500	-	-
Other timing differences	(75,904)	(76,000)	-	-
	<u>106,738</u>	<u>62,500</u>	<u>-</u>	<u>-</u>

16. SHARE CAPITAL

	<i>Authorised</i>		<i>Issued, called up and fully paid</i>	
	31/12/96	31/3/96	31/12/96	31/3/96
	£	£	£	£
Ordinary shares of £1 each	2,000,000	2,000,000	1,258,421	1,258,421

17. 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 1 April 1995	1,258,421	202,167	206,516	2,057,665	3,724,769
Release of revaluation reserve	-	-	(4,400)	4,400	-
Profit for the year	-	-	-	1,060,523	1,060,523
At 31 March 1996	<u>1,258,421</u>	<u>202,167</u>	<u>202,116</u>	<u>3,122,588</u>	<u>4,785,292</u>
Profit for period	-	-	-	883,940	883,940
Release of revaluation reserve	-	-	(4,400)	4,400	-
At 31 December 1996	<u>1,258,421</u>	<u>202,167</u>	<u>197,716</u>	<u>4,010,928</u>	<u>5,669,232</u>

Drexel Equipment (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1996

18. CONTINGENT LIABILITIES

At 31 December 1996, 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.

19. COMMITMENTS

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

	<i>Land and buildings</i>	
	<i>31/12/96</i>	<i>31/12/96</i>
	£	£
Operating leases which expire:		
Within one year	6,000	-
In the second to fifth year inclusive	282,400	-
After five years	-	73,000
	<u>288,400</u>	<u>73,000</u>

20. PENSION COMMITMENTS

The company contributes to a pension plan which provides benefits based on final pensionable pay. The pension plan is set up under trust and the assets of the plan are therefore held separately from those of the company.

The pension cost charged to the profit and loss account is calculated by an independent actuary in such a way as to spread the cost of pensions over the employees' working lives with the company. The pension costs are based on actuarial valuations which have been carried out with an effective date of 6 April 1995. The actuarial method used to calculate the pension cost is the Projected Unit method. The most significant assumptions for their effect on the pension costs are those relating to the rate of return on the investments of the plan and the rate of increase in salaries and pensions. The investment return used was 9% per annum. The rate of earnings increase used was 7% per annum in payment and the rate of pension increase used was 3% per annum.

The actuarial valuations of the group schemes at 6 April 1995 showed that the market value of the plan's assets was £1,803,000 and the actuarial value of those assets represented 97% of the liability for plan benefits under the valuation method, for service to the valuation date and based on salaries projected to retirement or earlier exit. The shortfall will be removed in the short to medium term by increasing the employer's contribution rate.

21. RELATED PARTIES

The company's ultimate parent undertaking is Tuboscope Vetco International Corporation, a company incorporated in The United States of America. The consolidated accounts of Tuboscope Vetco International Corporation are those of both the smallest and largest group of which the company is a member and for which group accounts are prepared. Copies of these accounts are available from Tuboscope Vetco International Corporation, 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.