

873028

Tuboscope (UK) Limited

(formerly Drexel Equipment (UK)
Limited

Report and Accounts

31 December 1997



Tuboscope (UK) Limited

Registered Number 873028

DIRECTORS

P J Stuart
R J Millett

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

Tuboscope (UK) Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1997.

RESULTS AND DIVIDENDS

The trading profit for the year after taxation was £3,855,807 (1996 - year £883,940). 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, wholesaling 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 1997 were as follows:

P J Stuart
R J Millett

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

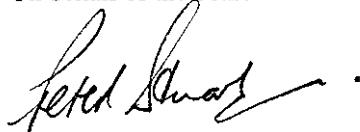
The following were also directors until their resignation on 7 July 1997:

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

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

30 October 1998

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;
- 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 Tuboscope (UK) Limited

We have audited the accounts on pages 6 to 19, 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.

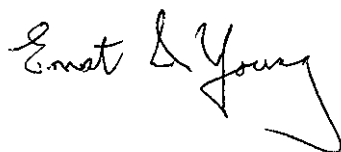
Basis of opinion

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 1997 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

30 October 1998

Tuboscope (UK) Limited

PROFIT AND LOSS ACCOUNT

for the nine month year ended 31 December 1997

		<i>9 months ended</i>	
	<i>Notes</i>	<i>1997</i>	<i>31/12/96</i>
		£	£
TURNOVER	2	11,279,071	9,112,614
Cost of sales		(7,252,279)	(5,868,447)
		<u>4,026,792</u>	<u>3,244,167</u>
GROSS PROFIT			
Selling and distribution expenses		(527,544)	(702,747)
Administrative expenses		(1,780,451)	(1,175,441)
		<u>1,718,797</u>	<u>1,365,979</u>
OPERATING PROFIT	3		
Income from investments		2,671,799	-
Bank interest receivable		6,977	4,335
Interest payable	4	(21,590)	(26,127)
		<u>4,375,983</u>	<u>1,344,187</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			
Taxation on profit on ordinary activities	7	520,176	460,247
		<u>3,855,807</u>	<u>883,940</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			
PROFIT RETAINED FOR THE FINANACIAL YEAR	19	<u>3,855,807</u>	<u>883,940</u>

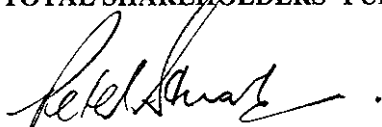
STATEMENT OF RECOGNISED GAINS AND LOSSES

		<i>9 months ended</i>	
		<i>1997</i>	<i>31/12/96</i>
		£	£
Profit for the financial year		3,855,807	883,940
Write-down of investment in subsidiary companies from pre-acquisition reserves		2,118,284	-
		<u>1,737,523</u>	<u>883,940</u>

Tuboscope (UK) Limited

BALANCE SHEET at 31 December 1997

	Notes	1997 £	1996 £
FIXED ASSETS			
Intangible asset	8	2,693,187	-
Tangible assets	9	9,902,986	2,711,357
Investments	10	12,314,611	32,895
		<u>24,910,784</u>	<u>2,744,252</u>
CURRENT ASSETS			
Stocks	11	3,472,989	2,695,243
Debtors - amounts falling due:			
within one year	12	11,269,816	2,920,425
after more than one year	13	2,987,173	-
Cash at bank and in hand		2,080,061	224,639
		<u>19,810,039</u>	<u>5,840,307</u>
CREDITORS: amounts falling due within one year	14	18,906,474	2,602,326
NET CURRENT (LIABILITIES)/ASSETS		<u>903,565</u>	<u>3,237,981</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>25,814,349</u>	<u>5,982,233</u>
CREDITORS: amounts falling due after more than one year	15	5,007,492	206,263
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	17	300,102	106,738
		<u>20,506,755</u>	<u>5,669,232</u>
CAPITAL AND RESERVES			
Called up share capital	18	14,358,421	1,258,421
Share premium account	19	202,167	202,167
Revaluation reserve	19	193,316	197,716
Profit and loss account	19	5,752,851	4,010,928
TOTAL SHAREHOLDERS' FUNDS		<u>20,506,755</u>	<u>5,669,232</u>



P J Stuart, Director

30 October 1998

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

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 and rental equipment.

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.

Goodwill

Goodwill is the difference between the amount paid on acquisition of a business and the aggregate fair value of its separable net assets. It has been capitalised and is being written off evenly over its estimated economic life.

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 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.

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

1. ACCOUNTING POLICIES (continued)

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 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 years expected to benefit from it, commencing with the year in which related sales are first made.

2. TURNOVER

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

An analysis of turnover by market is given below:

	1997	1996
	£	£
United Kingdom	5,177,094	4,228,649
The Rest of Europe	902,325	2,110,563
United States of America	3,282,210	1,257,092
Asia	981,279	564,811
Africa	936,163	951,499
	<u>11,279,071</u>	<u>9,112,614</u>

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

3. OPERATING PROFIT

This is stated after charging or (crediting):

	1997 £	1996 £
Depreciation of owned fixed assets	459,423	315,393
Depreciation of assets held under finance leases and hire purchase contracts	11,431	24,128
Operating lease rentals - land and buildings	48,490	60,958
Auditors' remuneration	10,800	13,750
Research and development expenditure	11,409	105,869
Gain on disposals of fixed assets	(11,940)	(14,032)
Foreign exchange (gains)/losses	(69,524)	231,675
	<u>459,423</u>	<u>315,393</u>

4. INTEREST PAYABLE

	1997 £	1996 £
Interest on bank loans and overdrafts	18,576	7,989
Interest on finance leases	3,014	18,138
	<u>21,590</u>	<u>26,127</u>

5. STAFF COSTS

	1997 £	1996 £
Wages and salaries	2,097,628	1,692,551
Social security costs	174,432	147,777
Other pension costs	123,305	101,420
	<u>2,395,365</u>	<u>1,941,748</u>

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

	1997 No	1996 No
Production	64	61
Sales	8	12
Research and development	-	2
Administration	20	22
	<u>92</u>	<u>97</u>

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS at 31 December 1997

6. DIRECTORS' EMOLUMENTS

	<i>1997</i>	<i>1996</i>
	£	£
Emoluments	192,653	259,553
Compensation for loss of office	-	20,000
	<u>192,653</u>	<u>279,553</u>

	<i>1997</i>	<i>1996</i>
	£	£
Company contributions paid to money purchase pension scheme		19,491

	<i>1997</i>	<i>1996</i>
	<i>No</i>	<i>No</i>
Members of money purchase pension scheme	4	5

7. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	<i>1997</i>	<i>1996</i>
	£	£
UK corporation tax at % (1996 - 33%)	520,176	416,009
Deferred taxation	-	44,238
	<u>520,176</u>	<u>460,247</u>

8. INTANGIBLE FIXED ASSETS

	<i>Goodwill</i>
	£
Cost:	
At 1 January 1997	-
Transfer from Tuboscope Vetco (UK) Limited	2,693,187
At 31 December 1997	<u>2,693,187</u>
Amortisation	
At 1 January 1997 and 31 December 1997	-
Net book value at 1 January 1997	<u>-</u>
Net book value at 31 December 1997	<u>2,693,187</u>

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

8. INTANGIBLE FIXED ASSETS (continued)

Goodwill transferred from Tuboscope Vetco (UK) Limited represents the goodwill arising 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 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 1997	886,935	5,214,208	235,080	471,613	6,807,836
Additions	161,251	538,441	14,118	36,255	750,065
Disposals	(113,320)	(61,558)	(9,668)	(871)	(185,417)
Transfers from group companies	4,484,522	8,513,153	176,249	90,707	13,264,631
At 31 December 1997	5,419,388	14,204,244	415,779	597,704	20,637,115
Depreciation:					
At 1 January 1997	105,286	3,533,391	102,065	355,737	4,096,479
Charge for year	20,724	320,898	54,422	74,810	470,854
Disposals	(63,315)	(30,714)	(8,684)	(97)	(102,810)
Transfers from group companies	497,714	5,588,830	110,900	72,162	6,269,606
At 31 December 1997	560,409	9,412,405	258,703	502,612	10,734,129
Net book value:					
At 31 December 1997	4,858,979	4,791,839	157,076	95,092	9,902,986
At 1 January 1997	781,649	1,680,817	133,015	115,876	2,711,357

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

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>1997</i>	<i>1996</i>
	£	£
At 31 March 1994 open market value	700,000	700,000
Aggregate depreciation thereon	(53,640)	(39,640)
Net book value	<u>646,360</u>	<u>660,360</u>
Historical cost of revalued assets	588,427	588,427
Aggregate depreciation based on historical cost	(119,766)	(107,997)
Historical cost net book value	<u>468,661</u>	<u>480,430</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 £3,953,277 (1996 - £791,934) of depreciable assets.

Included in the total net book value of fixtures and fittings is £11,431 (1996 - £43,602) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £11,431 (1996 £24,128).

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS at 31 December 1997

10. FIXED ASSET INVESTMENTS

	<i>Subsidiary undertakings</i> £
Cost:	
At 1 January 1997	32,895
Additions	14,400,000
At 31 December 1997	<u>14,432,895</u>
Amounts written off::	
At 1 January 1997	-
During the year	2,118,284
At 31 December 1997	<u>2,118,284</u>
Net book value at 31 December 1997	<u>12,314,611</u>
Net book value at 1 January 1997	<u>32,895</u>

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS at 31 December 1997

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%	Not trading
The Brandt Company (UK) Limited	Great Britain	Ordinary shares	100%	Dormant
Tuboscope Vetco (UK) Limited	Great Britain	Ordinary shares	100%	Not trading
Tuboscope Vetco Capital Limited	Great Britain	Ordinary shares	100%	Not trading
Pump Systems Limited	Great Britain	Ordinary shares	50.1% *	Not trading
Chargewood Limited	Great Britain	Ordinary shares	100%	Not trading
Enaco PLC	Great Britain	Ordinary shares	100%	Not trading
Enaco Mudcat	Great Britain	Ordinary shares	100% (held directly by Enaco PLC)	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.

11. STOCKS

	<i>1997</i> £	<i>1996</i> £
Raw material and consumables	195,859	60,827
Work in progress	689,515	1,066,765
Finished goods and goods for resale	2,587,615	1,567,651
	<u>3,472,989</u>	<u>2,695,243</u>

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS at 31 December 1997

12. DEBTORS: amounts falling due within one year

	1997 £	1996 £
Trade debtors	3,685,335	1,316,110
Amounts owed by other group undertakings	4,023,354	1,592,898
Amounts owed by subsidiary undertakings	2,541,542	-
Prepayments and accrued income	1,041,208	50,629
Other debtors	(21,623)	(39,212)
	<u>11,269,816</u>	<u>2,920,425</u>

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

	1997 £	1996 £
Amounts owed to subsidiary undertakings	<u>2,987,173</u>	<u>-</u>

14. CREDITORS: amounts falling due within one year

	1997 £	1996 £
Bank overdraft	2,477,881	-
Term loans (Note 13)	-	81,319
Trade creditors	1,393,805	529,989
Amounts due to fellow subsidiary undertakings	6,546,263	-
Amounts due to subsidiary undertakings	333,238	-
Amounts owed to group undertakings	5,157,997	773,742
Obligations under finance leases	-	16,186
Taxation and social security	99,972	55,957
Corporation tax	1,636,885	418,326
Accruals and deferred income	926,863	662,255
Pension scheme (Note 19)	40,252	64,552
Other creditors	293,318	-
	<u>18,906,474</u>	<u>2,602,326</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.

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

	1997 £	1996 £
Amounts due to group undertakings	3,367,468	-
Amounts due to subsidiary undertakings	1,640,024	-
Term loans	-	206,263
	<u>5,007,492</u>	<u>206,263</u>

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

15. CREDITORS: (continued)

There are two term loans repayable in monthly instalments over years 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:

	1997 £	1996 £
Within one year	-	81,319
Between one and two years	-	81,319
Between two and five years	-	124,944
	<u>-</u>	<u>287,582</u>

16. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	1997 £	1996 £
Amounts payable:		
Within one year	-	16,833
In two to five years	-	-
	<u>-</u>	<u>16,833</u>
Less: finance charges allocated to future years	-	647
	<u>-</u>	<u>16,186</u>
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations (note 12)	-	16,186
Non-current obligations	-	-
	<u>-</u>	<u>16,186</u>

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

	1997 £	1996 £
At 1 January 1997	16,186	39,064
Capital element of finance lease rental payments	16,186	22,878
	<u>-</u>	<u>16,186</u>
At 31 December 1997	<u>-</u>	<u>16,186</u>

17. PROVISION FOR LIABILITIES AND CHARGES

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

	1997 £	1996 £
At 31 December 1996	106,738	62,500
Charge for the year	12,766	44,238
Transfers from group companies	180,598	-
	<u>300,102</u>	<u>106,738</u>
At 31 December 1997	<u>300,102</u>	<u>106,738</u>

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1997

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>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	£	£	£	£
Capital allowances in advance of depreciation	465,538	182,642	290,163	-
Other timing differences	(165,436)	(75,904)	(296,105)	-
	<u>300,102</u>	<u>106,738</u>	<u>(5,942)</u>	<u>-</u>

18. SHARE CAPITAL

	<i>Authorised</i>		<i>Issued, called up and fully paid</i>	
	<i>1997</i>	<i>1996</i>	<i>1997</i>	<i>1996</i>
	£	£	£	£
Ordinary shares of £1 each	21,000,000	2,000,000	14,358,421	1,258,421

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 1996	1,258,421	202,167	202,116	3,122,588	4,785,292
Release of revaluation reserve	-	-	(4,400)	4,400	-
Profit for the year	-	-	-	883,940	883,940
	<u>1,258,421</u>	<u>202,167</u>	<u>197,716</u>	<u>4,010,928</u>	<u>5,669,232</u>
At 1 January 1997	1,258,421	202,167	197,716	4,010,928	5,669,232
Profit for year	-	-	-	3,855,807	3,855,807
Unrealised loss on purchase of investments	-	-	-	(2,118,284)	(2,118,284)
Release of revaluation reserve	-	-	(4,400)	4,400	-
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>

20. CONTINGENT LIABILITIES

At 31 December 1997, 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 1997

21. COMMITMENTS

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

	<i>Land and buildings</i>	
	<i>1997</i>	<i>1996</i>
	<i>£</i>	<i>£</i>
Operating leases which expire:		
Within one year	16,653	6,000
In the second to fifth year inclusive	-	282,400
After five years	-	-
	<u>16,653</u>	<u>288,400</u>

22. 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.

23. RELATED PARTIES

The company's ultimate parent undertaking is Tuboscope Inc (formerly Tuboscope Vetco International Corporation), 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 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.