

Tuboscope Pipeline Services Limited

Report and Financial Statements

30 June 2010

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Tuboscope Pipeline Services Limited

Registered No 2183893

Directors

T D Boyle
S G Valentine

Secretary

C P O'Neil

Auditors

Ernst & Young LLP
Blenheim House
Fountainhall Road
Aberdeen
AB15 4DT

Solicitors

Paul & Williamsons LLP
Union Plaza
1 Union Wynd
Aberdeen
AB10 1DQ

Bankers

Barclays Bank plc
Union Plaza
1 Union Wynd
Aberdeen
AB10 2SL

Registered Office

Martin Street
Audenshaw
Manchester
M34 5JA

Directors' report

Registered No 2183893

The directors present their report and financial statements for the period ended 30 June 2010

The report has been prepared in accordance with the special provisions of part 15 of the Companies Act 2006 relating to small entities

Results and dividends

The profit for the period, after taxation, amounted to £274,000 (2008 – £9,106,000) A dividend of £7,800,000 was paid in the period (2008 – nil)

Principal activity and review of the business

Following a strategic review of our involvement in this market sector, an agreement was concluded and the trade and most of the assets of the company were sold on 9 September 2008 The company continued as a non-trading entity from that date

Post balance sheet events

On 17 December 2010, the company effected a share capital reduction, reducing the issued share capital to £1, the capital contribution account to nil and the share based payments reserve to nil On 31 December 2010, the resultant reserves were distributed to National Oilwell Varco UK Limited, its immediate parent company

Directors and their interests

The directors at 30 June 2010 and who served during the period were as follows

T D Boyle

S G Valentine

None of the directors held an interest in the share capital of the company during the period

Going concern

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to prepare the financial statements on a going concern basis

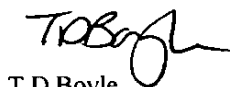
Disclosure of information to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information

Auditors

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting

On behalf of the Board



T D Boyle

Director

23 March 2011

Statement of directors' responsibilities

The directors are responsible for preparing 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 period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply consistently,
- make judgements and 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of Tuboscope Pipeline Services Limited

We have audited the financial statements of Tuboscope Pipeline Services Limited for the period ended 30 June 2010 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2010 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

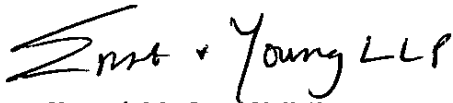
Independent auditors' report

to the members of Tuboscope Pipeline Services Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches 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



Kenneth MacLeod Hall (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen

23, March 2011

Profit and loss account

for the period ended 30 June 2010

	Notes	18 months to 30/06/10 £000	12 months to 31/12/08 £000
Turnover	2	-	2,089
Cost of sales		-	(2,239)
Gross profit/(loss)			(150)
Selling and distribution costs		-	(256)
Administrative expenses		(994)	2,523
Operating (loss)/profit	3	(994)	2,117
Interest receivable	5	876	13
Amounts provided against investments		-	(675)
Gain on disposal of fixed asset investments		189	8,105
Gain on sale of contracts		-	274
Loss on disposal of tangible fixed assets		-	(1)
Profit on ordinary activities before taxation		71	9,833
Tax credit/(charge) on profit on ordinary activities	6	203	(727)
Profit for the financial period after taxation	11	274	9,106

All activities relate to discontinued activities

There are no recognised gains and losses for the period other than the profit attributable to shareholders of the company of £274,000 (2008 – £9,106,000)

Balance Sheet

at 30 June 2010

		30 June 2010	31 December 2008
	Notes	£000	£000
Fixed assets			
Investments	7	1	542
		<u>1</u>	<u>542</u>
Current assets			
Debtors	8	410	13,155
Cash at bank and in hand		5,844	968
		<u>6,254</u>	<u>14,123</u>
Creditors amounts falling due within one year	9	(515)	(1,399)
Net current assets		<u>5,739</u>	<u>12,724</u>
Total assets less current liabilities		<u>5,740</u>	<u>13,266</u>
Capital and reserves			
Called up share capital	10	50	50
Capital contribution	11	5,210	5,210
Share-based payment reserve	11	19	19
Profit and loss account	11	461	7,987
Shareholders' funds	11	<u>5,740</u>	<u>13,266</u>

The financial statements were approved for issue by the Board of Directors on 23 March 2011



T D Boyle
Director

Notes to the accounts

at 30 June 2010

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

Group accounts

The company is exempt from preparing consolidated financial statements in accordance with Section 401 of the Companies Act 2006. The financial statements, therefore, present information about the company as an individual undertaking and not about its group.

Revenue recognition

Revenue for inspection was recognised only after the services have been performed.

All turnover was stated net of VAT, discounts, rebates and any other sales taxes or duty.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate.

Cash flow

The company has taken advantage of the exemptions available within FRS 1 and has not produced a cash flow statement.

2. Turnover

Turnover, which was stated net of value added tax, represented amounts invoiced to third parties.

The turnover and pre-tax profit was attributable to one activity, the provision of in-place inspection to companies engaged in the transport of oil and gas via pipelines.

An analysis of turnover by geographical market is given below.

	<i>18 months to 30/06/10 £000</i>	<i>12 months to 31/12/08 £000</i>
Europe	-	284
Africa	-	659
Middle East	-	718
Rest of world	-	428
	-	2,089

Notes to the accounts

at 30 June 2010

3. Operating (loss)/profit

This is stated after charging

	<i>18 months to 30/06/10</i>	<i>12 months to 31/12/08</i>
	<i>£000</i>	<i>£000</i>
Auditors' remuneration – audit of the financial statements	-	8
Operating lease rentals - land & buildings	-	15
Operating lease rentals - other	-	3

The audit fee is borne by a fellow group company at an estimated cost of £8,000

4. Staff costs and directors' remuneration

	<i>18 months to 30/06/10</i>	<i>12 months to 31/12/08</i>
	<i>£000</i>	<i>£000</i>
Wages and salaries	-	319
Social security costs	-	36
Other pension costs	-	9
	-	364

Included in wages and salaries is a total credit of £nil (2008 – credit £27,000) relating to share based compensation

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

	<i>18 months to 30/06/10</i>	<i>12 months to 31/12/08</i>
	<i>No</i>	<i>No</i>
Selling, administration and operations	-	6

The directors did not receive any remuneration from the company in either period

5. Interest receivable

	<i>18 months to 30/06/10</i>	<i>12 months to 31/12/08</i>
	<i>£000</i>	<i>£000</i>
Bank	7	13
On loan note	869	-
	876	13

Notes to the accounts

at 30 June 2010

6. Tax

(a) Tax (credit)/charge on profit on ordinary activities

The tax (credit)/charge is made up as follows

	<i>18 months to 30/06/10</i>	<i>12 months to 31/12/08</i>
	<i>£000</i>	<i>£000</i>
<i>Current tax</i>		
UK corporation tax	-	681
Group relief recoverable	(33)	-
Adjustments in respect of previous periods	(167)	26
Double taxation relief	-	(23)
	<u>(200)</u>	<u>684</u>
<i>Foreign tax</i>		
Current year	-	46
Adjustments in respect of previous periods	(3)	(3)
	<u>(203)</u>	<u>727</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period differs from the standard rate of corporation tax in the UK of 28% (2008 28.5%) The differences are reconciled below

	<i>18 months to 30/06/10</i>	<i>12 months to 31/12/08</i>
	<i>£000</i>	<i>£000</i>
Profit on ordinary activities before tax	71	9,833
	<u> </u>	<u> </u>
Profit on ordinary activities multiplied by standard rate of corporation tax of 28% (2008 28.5%)	20	2,802
Effect of		
Non taxable gain	-	(2,309)
(Income not taxable)/Expenses not deductible for tax purposes	(53)	176
Depreciation in excess of capital allowances	-	25
Short term timing differences	-	(13)
Adjustments in respect of previous periods	(170)	23
Tax credit	-	23
	<u>(203)</u>	<u>727</u>

Notes to the accounts

at 30 June 2010

6 Tax (continued)

(c) Factors that may affect future tax charges

UK Corporation tax is calculated at 28% (2008 28.5%) of the estimated assessable profit for the period. Following announcements in the Emergency Budget on 22 June 2010, it was proposed that the full rate of corporation tax be reduced by 1% per year for four years starting from 1 April 2011, ultimately bringing the corporation tax rate down to 24%. In addition, it was proposed to reduce the main rate of capital allowances from 20% to 18%.

7. Investments

	<i>Subsidiary undertakings</i>	<i>Other investments</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost			
At 1 January 2009	1	3,116	3,117
Disposals	-	(3,116)	(3,116)
At 30 June 2010	1	-	1
Amounts provided			
At 1 January 2009	-	2,575	2,575
Disposals	-	(2,575)	(2,575)
At 30 June 2010	-	-	-
Net book value			
At 30 June 2010	1	-	1
At 1 January 2009	1	541	542

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:

Name of company	Holding	Proportion held	Nature of business
<i>Subsidiary undertakings</i>			
Linalog Limited	Ordinary shares	100%	Dormant

The equity value of the company's investment in Linalog Limited at 30 June 2010 was £1,000.

Notes to the accounts

at 30 June 2010

8. Debtors

	<i>30 June 31 December</i>	
	<i>2010</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Loan note	-	11,741
Trade debtors	63	474
Group relief	347	315
Other debtors	-	162
Other taxes and social security costs	-	463
	<u>410</u>	<u>13,155</u>

9. Creditors: amounts falling due within one year

	<i>30 June 31 December</i>	
	<i>2010</i>	<i>2008</i>
	<i>£000</i>	<i>£000</i>
Trade creditors	-	19
Amount owed to group undertakings	16	619
Corporation tax	499	666
Overseas tax	-	46
Accruals and deferred revenue	-	49
	<u>515</u>	<u>1,399</u>

10. Share capital

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	<i>2010</i>	<i>2008</i>	<i>2010</i>	<i>2008</i>
	<i>No</i>	<i>No</i>	<i>£000</i>	<i>£000</i>
Ordinary shares of £1 each	100,000	100,000	50	50

Notes to the accounts

at 30 June 2010

11. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital £000</i>	<i>Capital contribution £000</i>	<i>Share based payment reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total shareholders' funds £000</i>
At 31 December 2007	50	5,210	46	(1,119)	4,187
Profit for the year	-	-	-	9,106	9,106
Share based payment reserve	-	-	(27)	-	(27)
At 31 December 2008	50	5,210	19	7,987	13,266
Profit for the period	-	-	-	274	274
Dividends paid	-	-	-	(7,800)	(7,800)
At 30 June 2010	50	5,210	19	461	5,740

12. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The unpaid contributions outstanding at the period end, included in 'accruals' (note 9) are £nil (2008 £nil).

13. Related parties

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.

14. Post balance sheet events

On 17 December 2010, the company effected a share capital reduction, reducing the issued share capital to £1, the capital contribution account to nil and the share based payments reserve to nil. On 31 December 2010, the resultant reserves were distributed to National Oilwell Varco UK Limited, its immediate parent company.

15. Ultimate parent undertaking

The company's immediate parent undertaking is National Oilwell Varco UK Limited, a company incorporated in England.

The company's ultimate parent undertaking is National Oilwell Varco Inc, a company incorporated in the United States of America.

The consolidated accounts of National Oilwell Varco Inc are those of 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 its principal office at 7909 Parkwood Circle Drive, Houston, Texas, 77036, USA.