


TUBOSCOPE (UK) LIMITED

Report and Accounts

31 December 1999

 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 1999.

RESULTS AND DIVIDENDS

The trading loss for the year after taxation was £981,510 (1998 profit - £4,531,553). The directors recommend that no dividend be paid and that the loss 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.

POST BALANCE SHEET EVENT

On 30 May 2000, Tuboscope (UK) Limited's ultimate parent company, Tuboscope Inc, merged with Varco International, Inc in a stock for stock transaction. As part of the merger, Tuboscope Inc has changed its name to Varco International, Inc.

DIRECTORS AND THEIR INTERESTS

The directors at 31 December 1999 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.

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.

Ernst & Young has stated that, during 2001, it is intending to transfer its business to a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. If this happens, it is the current intention of the Directors to use their statutory powers to treat the appointment of Ernst & Young as extending to Ernst & Young LLP.

On behalf of the board



R J Millett
Director

3 May 2001

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 shareholders of Tuboscope (UK) Limited

We have audited the accounts on pages 7 to 20, which have been prepared under the historical cost convention and the accounting policies set out on pages 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 in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

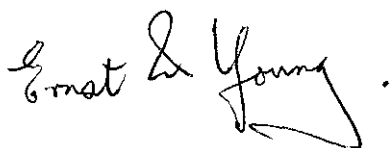
Basis of opinion

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 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young
Registered Auditor
Aberdeen

3 May 2001

Tuboscope (UK) Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1999

	Notes	1999 £	1998 £
TURNOVER	2	18,107,440	35,668,596
Cost of sales		(12,598,306)	(22,586,794)
GROSS PROFIT		5,509,134	13,081,802
Selling and distribution expenses		(1,511,399)	(1,717,388)
Administrative expenses		(4,886,954)	(6,786,751)
OPERATING (LOSS)/PROFIT	3	(889,219)	4,577,663
Income from investments		192,263	1,648,924
Bank interest receivable		38,460	78,409
Interest payable	4	(417,390)	(321,489)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,075,886)	5,983,507
Taxation on (loss)/profit on ordinary activities	7	(94,376)	1,451,954
(LOSS)/PROFIT RETAINED FOR THE FINANCIAL YEAR	19	(981,510)	4,531,553

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 1999

There are no recognised gains or losses for the year other than the loss of £981,510 (1998 profit - £4,531,553).

Tuboscope (UK) Limited

BALANCE SHEET at 31 December 1999

	Notes	1999 £	1998 £
FIXED ASSETS			
Intangible asset	8	2,304,627	2,498,907
Tangible assets	9	13,257,487	10,549,392
Investments	10	18,808,290	18,808,290
		<u>34,370,404</u>	<u>31,856,589</u>
CURRENT ASSETS			
Stock	11	4,585,177	6,004,611
Debtors - amounts falling due:			
within one year	12	6,058,966	9,561,324
after one year	13	1,646,155	1,646,155
Cash at bank and in hand		7,220	8,259
		<u>12,297,518</u>	<u>17,220,349</u>
CREDITORS: amounts falling due within one year	14	6,813,797	12,198,955
NET CURRENT ASSETS		<u>5,483,721</u>	<u>5,021,394</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>39,854,125</u>	<u>36,877,983</u>
CREDITORS: amounts falling due after more than one year	15	9,067,734	5,134,686
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	17	240,593	215,989
		<u>30,545,798</u>	<u>31,527,308</u>
CAPITAL AND RESERVES			
Called up share capital	18	20,847,421	20,847,421
Share premium account	19	202,167	202,167
Revaluation reserve	19	90,516	188,916
Profit and loss account	19	9,405,694	10,288,804
TOTAL SHAREHOLDERS' FUNDS		<u>30,545,798</u>	<u>31,527,308</u>

R J Millett, Director

3 May 2001

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

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 228 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 1999

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.

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS at 31 December 1999

3. OPERATING (LOSS)/PROFIT

This is stated after charging or (crediting):

	1999 £	1998 £
Depreciation of owned fixed assets	1,345,367	1,555,041
Depreciation of assets held under finance leases and hire purchase contracts	174,049	28,444
Operating lease rentals - land and buildings	333,765	371,616
- plant and machinery	220,840	234,592
Auditors' remuneration	40,000	41,000
Loss/(gain) on disposals of fixed assets	58,134	(27,978)
Foreign exchange losses	157,119	11,598
	<u> </u>	<u> </u>

4. INTEREST PAYABLE

	1999 £	1998 £
Interest on bank loans and overdrafts	1,498	5,052
Interest on underpaid tax	-	246
Interest on group loans	345,345	303,666
Interest on finance leases	70,547	12,525
	<u> </u>	<u> </u>
	417,390	321,489
	<u> </u>	<u> </u>

5. STAFF COSTS

	1999 £	1998 £
Wages and salaries	5,932,761	7,701,580
Social security costs	563,899	714,328
Other pension costs	341,587	336,401
	<u> </u>	<u> </u>
	6,838,247	8,752,309
	<u> </u>	<u> </u>

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

	1999 No	1998 No
Production	184	225
Sales	33	38
Administration	71	79
	<u> </u>	<u> </u>
	288	342
	<u> </u>	<u> </u>

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS at 31 December 1999

6. DIRECTORS' EMOLUMENTS

	1999 £	1998 £
Emoluments	104,169	174,146
	<u>104,169</u>	<u>174,146</u>
	1999 £	1998 £
Employer contributions paid to company pension scheme	5,424	10,678
	<u>5,424</u>	<u>10,678</u>
	1999 No	1998 No
Members of company pension scheme	1	1
	<u>1</u>	<u>1</u>

7. TAXATION ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	1999 £	1998 £
UK corporation tax	(14,523)	1,275,503
Group relief	(107,237)	-
Overseas tax	2,780	-
Deferred taxation	24,604	(176,451)
	<u>(94,376)</u>	<u>1,451,954</u>

8. INTANGIBLE FIXED ASSETS

	Goodwill £
Cost:	
At 1 January 1999 and 31 December 1999	2,693,187
	<u>2,693,187</u>
Amortisation	
At 1 January 1999	194,280
Provided during year	194,280
	<u>388,560</u>
At 31 December 1999	388,560
	<u>388,560</u>
Net book value at 31 December 1999	2,304,627
	<u>2,304,627</u>
Net book value at 1 January 1999	2,498,907
	<u>2,498,907</u>

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

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 1999	6,286,616	16,772,057	490,257	1,108,877	24,657,807
Additions	4,658,411	548,209	-	9,584	5,216,204
Disposals	(335,269)	(2,203,463)	(180,388)	(106,654)	(2,825,774)
Transfers (to)/from group companies	18,411	(96,507)	13,590	-	(64,506)
At 31 December 1999	10,628,169	15,020,296	323,459	1,011,807	26,983,731
Depreciation:					
At 1 January 1999	837,704	11,950,480	385,920	934,311	14,108,415
Charge for year	399,958	982,459	56,230	80,769	1,519,416
Disposals	(33,552)	(1,556,097)	(167,519)	(91,821)	(1,848,989)
Transfers (to)/from group companies	16,834	(75,680)	6,248	-	(52,598)
At 31 December 1999	1,220,944	11,301,162	280,879	923,259	13,726,244
Net book value:					
At 31 December 1999	9,407,225	3,719,134	42,580	88,548	13,257,487
At 1 January 1999	5,448,912	4,821,577	104,337	174,566	10,549,392

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS at 31 December 1999

9. TANGIBLE FIXED ASSETS (continued)

Included within the company's freehold land and buildings, the following property was revalued at 31 March 1994 on an open market basis:

	<i>Revalued amount £</i>	<i>Historical cost £</i>
Waldron Road, Montrose	375,000	316,447

Particulars relating to revalued assets are given below:

	<i>1999 £</i>	<i>1998 £</i>
At 31 March 1994 open market value	375,000	700,000
Aggregate depreciation thereon	(96,140)	(67,640)
Net book value	278,860	632,360
Historical cost of revalued assets	316,447	588,427
Aggregate depreciation based on historical cost	(113,898)	(131,535)
Historical cost net book value	202,279	456,892

The cost or valuation of land and buildings includes £8,855,072 (1998 - £5,146,259) of depreciable assets.

Included in the total net book value of land and buildings is £3,835,387 (1998 - £Nil) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £164,613 (1998 - £Nil).

Included in the total net book value of fixtures and fittings is £25,133 (1998 - £138,057) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £9,436 (1998 £28,444).

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS at 31 December 1999

10. FIXED ASSET INVESTMENTS

	<i>Subsidiary undertakings £</i>
Cost:	
At 1 January 1999 and 31 December 1999	20,926,574
	<hr/>
Amounts written off:	
At 1 January 1999	2,118,284
During the year	-
	<hr/>
At 31 December 1999	2,118,284
	<hr/>
Net book value:	
At 31 December 1999	18,808,290
	<hr/> <hr/>
At 1 January 1999	18,808,290
	<hr/> <hr/>

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

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

* The remaining interest is held by Enaco PLC

Tuboscope (UK) Limited is exempt from disclosing the aggregate capital and reserves 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 1999

11. STOCK

	1999 £	1998 £
Raw materials and consumables	353,633	314,757
Work in progress	1,293,043	2,037,459
Finished goods and goods for resale	2,938,501	3,652,395
	<u>4,585,177</u>	<u>6,004,611</u>

12. DEBTORS: amounts falling due within one year

	1999 £	1998 £
Trade debtors	3,456,561	5,294,765
Amounts owed by other group undertakings	1,881,251	2,082,290
Amounts owed by subsidiary undertakings	312,192	119,929
Group relief	41,198	-
Prepayments and accrued income	317,511	1,946,330
Other debtors	50,253	118,010
	<u>6,058,966</u>	<u>9,561,324</u>

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

	1999 £	1998 £
Amounts owed by subsidiary undertakings	<u>1,646,155</u>	<u>1,646,155</u>

14. CREDITORS: amounts falling due within one year

	1999 £	1998 £
Bank overdraft	1,151,962	527,554
Trade creditors	896,292	1,420,353
Amounts due to fellow subsidiary undertakings	1,753,914	4,559,105
Amounts due to subsidiary undertakings	1,063,549	1,063,549
Amounts owed to group undertakings	-	1,305,170
Obligations under finance leases and HP commitments (note 16)	9,933	21,598
Taxation and social security	698,837	155,022
Corporation tax	97,910	1,585,204
Accruals and deferred income	1,131,400	1,516,895
Pension scheme (note 22)	-	33,406
Other creditors	10,000	11,099
	<u>6,813,797</u>	<u>12,198,955</u>

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

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

	1999	1998
	£	£
Amounts due to group undertakings	3,705,915	3,764,846
Amounts due to subsidiary undertakings	1,349,501	1,349,501
Obligations under financial leases and HP commitments	4,012,318	20,339
	<u>9,067,734</u>	<u>5,134,686</u>

16. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The maturity of these amounts is as follows:

	1999	1998
	£	£
Amounts payable:		
Within one year	262,851	13,883
In two to five years	4,928,958	38,585
	<u>5,191,809</u>	<u>52,468</u>
Less: finance charges allocated to future years	1,169,558	10,531
	<u>4,022,251</u>	<u>41,937</u>
Finance leases and hire purchase contracts are analysed as follows:		
Current obligations (note 14)	9,933	21,598
Non-current obligations (note 15)	4,012,318	20,339
	<u>4,022,251</u>	<u>41,937</u>

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

	1999	1998
	£	£
At 1 January 1999	41,937	-
Transfer from group companies	-	75,894
Additions	4,000,000	24,300
Capital element of finance lease rental payments	(19,686)	(58,257)
At 31 December 1999	<u>4,022,251</u>	<u>41,937</u>

Tuboscope (UK) Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

17. PROVISION FOR LIABILITIES AND CHARGES

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

	1999 £	1998 £
At 1 January	215,989	300,102
Charge/(release) for the year (note 7)	24,604	(176,451)
Transfers from group companies	-	92,338
At 31 December	240,593	215,989

All deferred taxation has been provided in the accounts as follows:

	1999 £	1998 £
Capital allowances in advance of depreciation	519,450	555,856
Other timing differences	(278,857)	(339,867)
	240,593	215,989

18. SHARE CAPITAL

	Authorised		Issued, called up and fully paid	
	1999 £	1998 £	1999 £	1998 £
Ordinary shares of £1 each	21,000,000	21,000,000	20,847,421	20,847,421

19. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Share premium £	Revaluation reserve £	Profit and loss account £	Total £
At 31 December 1998	14,358,421	202,167	193,316	5,752,851	20,506,755
Release of revaluation reserve	-	-	(4,400)	4,400	-
Profit for the year	-	-	-	4,531,553	4,531,553
Issued during year	6,489,000	-	-	-	6,489,000
At 1 January 1999	20,847,421	202,167	188,916	10,288,804	31,527,308
Loss for year	-	-	-	(981,510)	(981,510)
Release of revaluation reserve	-	-	(98,400)	98,400	-
At 31 December 1999	20,847,421	202,167	90,516	9,405,694	30,545,798

20. CONTINGENT LIABILITIES

At 31 December 1999, 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 1999

21. FINANCIAL COMMITMENTS

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

	<i>Other</i>		<i>Land and buildings</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
Operating leases which expire:				
Within one year	19,000	27,181	4,160	188,000
In two to five years	169,177	111,620	71,500	32,460
In over five years	1,047	54,240	70,000	70,000
	<u>189,224</u>	<u>193,041</u>	<u>145,660</u>	<u>290,460</u>

22. PENSION COMMITMENTS

The group operates the Tuboscope Holdings Limited 1998 Pension scheme which is a hybrid scheme comprised of a defined contribution section and defined benefit section.

The scheme is set up under trust and the assets are held separately from those of the company.

The scheme was established in 1998 and the majority of the employees of Tuboscope (UK) Limited contribute to the defined contribution section, although some members contribute to the defined benefit section. Prior to January 1998, employees contributed to the Tuboscope Pension Plan. The assets of this plan were transferred to the new scheme on 30 June 2000.

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. Details of the most recent actuarial valuation can be found in the accounts of Tuboscope Holdings Limited.

The pension cost for all members of the pension scheme is charged to the profit and loss account as the contributions become payable.

23. RELATED PARTIES

The company's ultimate parent undertaking is Varco International, 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 Varco International, 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 Varco International, 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.