

2756750

HYDRA RIG UK LIMITED (FORMERLY KNOWN AS WESTON OILFIELD
ENGINEERING LIMITED)

Report and Accounts

31 December 2000

 ERNST & YOUNG

Registered No: 2756750



Hydra Rig UK Limited

Registered No. 2756750

DIRECTORS

P J Stuart
R J Millett
T D Boyle

SECRETARIES

Paull & Williamsons
Investment House
6 Union Row
Aberdeen
AB10 1DQ

AUDITORS

Ernst & Young LLP
50 Huntly Street
Aberdeen
AB10 1ZN

BANKERS

Barclays Bank Plc
1 Rubislaw Terrace
Aberdeen
AB10 1BE

SOLICITORS

Paull & Williamsons
Investment House
6 Union Row
Aberdeen
AB10 1DQ

REGISTERED OFFICE

5A Furze Hill
Purley
Surrey
CR8 3LB

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 2000.

RESULTS AND DIVIDENDS

The profit for the financial year after tax amounted to £285,991 (1999 - £195,728).

PRINCIPAL ACTIVITY

The principal activity of the company is the sale of goods and supply of services to the petrochemical industry.

DIRECTORS AND THEIR INTERESTS

The directors as at 31 December 2000 and their interest in the share capital of the company were as follows:

P J Stuart
R J Millett
T D Boyle

No director held an interest in the share capital of the company at the year end.

AUDITORS

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



Director

25 February 2002

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; 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HYDRA RIG UK LIMITED

We have audited the company's financial statements for the year ended 31 December 2000 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, and the related notes 1 to 16. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Aberdeen

25 February 2002

Hydra Rig UK Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2000

| | <i>Notes</i> | <i>2000</i> £ | <i>1999</i> £ |
|--|--------------|------------------|------------------|
| TURNOVER | 2 | 3,437,326 | 2,836,308 |
| Cost of sales | | (2,723,095) | (2,363,663) |
| GROSS PROFIT | | 714,231 | 472,645 |
| Administrative expenses | | (301,414) | (193,191) |
| OPERATING PROFIT | 3 | 412,817 | 279,454 |
| Interest receivable | 5 | 14 | 48 |
| Interest payable and similar charges | 6 | (3) | (34) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 412,828 | 279,468 |
| Tax charge on profit on ordinary activities | | (126,837) | (83,740) |
| PROFIT RETAINED FOR THE FINANCIAL YEAR | 13 | 285,991 | 195,728 |

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 2000

There are no recognised gains or losses for the year other than the profit of £285,991 for the year ended 31 December 2000 (1999 – profit £195,728).

Hydra Rig UK Limited

BALANCE SHEET

at 31 December 2000

| | Notes | 2000 £ | 1999 £ |
|---|-------|-------------|-------------|
| FIXED ASSETS | | | |
| Tangible assets | 8 | 36,210 | 39,796 |
| CURRENT ASSETS | | | |
| Stocks | 9 | 724,427 | 324,243 |
| Debtors | 10 | 1,459,997 | 1,100,122 |
| Cash at bank and in hand | | 269 | 3,400 |
| | | 2,184,693 | 1,427,765 |
| CREDITORS: amounts falling due within one year | 11 | (1,513,294) | (1,045,943) |
| NET CURRENT ASSETS | | 671,399 | 381,822 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 707,609 | 421,618 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 12 | 96 | 96 |
| Capital redemption reserve | 13 | 16 | 16 |
| Profit and loss account | 13 | 707,497 | 421,506 |
| TOTAL SHAREHOLDERS' FUNDS | | 707,609 | 421,618 |

ERNST & YOUNG

T. Bayle
Director

25 February 2002

NOTES TO THE ACCOUNTS

at 31 December 2000

1. ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Cash flow statement

The company has taken advantage of exemptions available within FRS 1 and has not produced a cash flow statement on the grounds that the ultimate parent consolidated financial statements are publicly available.

Depreciation

Tangible fixed assets are written off over their estimated useful lives on a straight line basis at the following annual rates:

| | |
|---------------------|-----|
| Office equipment | 20% |
| Plant and machinery | 25% |

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis and includes all direct costs incurred and attributable production overheads. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal.

Deferred Taxation

Provision is made for deferred tax using the liability method to the extent that it is probable that a liability will crystallise.

Operating Leases

Leasing charges in respect of operating leases are recognised in the profit and loss account over the lives of the lease agreements as incurred.

Foreign Currency

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities are translated at rates ruling at the balance sheet date. Exchange differences are included in operating profit.

Pension Contributions

The company operates a defined contribution pension scheme. Costs are charged to the profit and loss account as incurred.

2. TURNOVER

Turnover represents sales less value added tax. An analysis of turnover by market is given below:

| | 2000 £ | 1999 £ |
|----------------|------------------|------------------|
| United Kingdom | 971,674 | 1,277,742 |
| Rest of Europe | 514,525 | 593,366 |
| USA | 1,331,413 | 631,692 |
| Asia | 170,524 | 137,624 |
| Africa | 449,190 | 195,884 |
| | <u>3,437,326</u> | <u>2,836,308</u> |

NOTES TO THE ACCOUNTS
at 31 December 2000

3. OPERATING PROFIT

This is stated after charging/(crediting):

| | 2000 | 1999 |
|---|-------------------|-------------------|
| | £ | £ |
| Depreciation of owned fixed assets | 15,704 | 17,560 |
| Auditors remuneration – audit fee | 5,000 | 2,100 |
| Operating lease payments – land and buildings | 43,212 | 34,542 |
| Pension costs | 30,885 | 13,562 |
| Exchange rate differences | 32,590 | (2,324) |
| | <u> </u> | <u> </u> |

4. STAFF COSTS

| | 2000 | 1999 |
|-----------------------|----------------|----------------|
| | £ | £ |
| Wages and salaries | 857,366 | 613,912 |
| Social security costs | 86,204 | 60,918 |
| Other pension costs | 30,886 | 13,562 |
| | <u>974,456</u> | <u>688,392</u> |

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

| | 2000 | 1999 |
|----------------|-----------|-----------|
| | No. | No. |
| Administration | 5 | 5 |
| Manufacturing | 27 | 23 |
| | <u>32</u> | <u>28</u> |

5. INTEREST RECEIVABLE

| | 2000 | 1999 |
|------------------------------|-----------|-----------|
| | £ | £ |
| Bank interest | - | 48 |
| Interest on taxes receivable | 14 | - |
| | <u>14</u> | <u>48</u> |

Hydra Rig UK Limited

NOTES TO THE ACCOUNTS

at 31 December 2000

6. INTEREST PAYABLE

| | 2000 | 1999 |
|---------------------------|----------|-----------|
| | £ | £ |
| Overdraft interest | 3 | - |
| Interest on taxes payable | - | 34 |
| | <u>3</u> | <u>34</u> |

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

| | 2000 | 1999 |
|--|----------------|---------------|
| | £ | £ |
| UK corporation tax | 125,187 | 83,740 |
| | <u>125,187</u> | <u>83,740</u> |
| Corporation tax under provided in previous years | 1,650 | - |
| | <u>126,837</u> | <u>83,740</u> |

The company is a member of a group for the purposes of relief under Section 402 of the Income and Corporation Taxes Act 1988.

8. TANGIBLE FIXED ASSETS

| | Office equipment £ | Plant & machinery £ | Total £ |
|---------------------------|--------------------------|---------------------------|----------------|
| Cost: | | | |
| As at 1 January 2000 | 10,260 | 162,192 | 172,452 |
| Additions | 4,594 | 7,524 | 12,118 |
| | <u>14,854</u> | <u>169,716</u> | <u>184,570</u> |
| As at 31 December 2000 | | | |
| Accumulated Depreciation: | | | |
| As at 1 January 2000 | 6,188 | 126,468 | 132,656 |
| Charge for year | 2,705 | 12,999 | 15,704 |
| | <u>8,893</u> | <u>139,467</u> | <u>148,360</u> |
| As at 31 December 2000 | | | |
| Net book value: | | | |
| As at 31 December 1999 | 4,072 | 35,724 | 39,796 |
| | <u>5,961</u> | <u>30,249</u> | <u>36,210</u> |
| As at 31 December 2000 | | | |

Hydra Rig UK Limited

NOTES TO THE ACCOUNTS

at 31 December 2000

9. STOCKS

| | 2000 | 1999 |
|-------------------------------|----------------|----------------|
| | £ | £ |
| Raw materials and consumables | 353,644 | 279,484 |
| Work in progress | 370,783 | 44,759 |
| | <u>724,427</u> | <u>324,243</u> |

10. DEBTORS

| | 2000 | 1999 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Trade debtors | 956,209 | 947,006 |
| Amounts owed by group undertakings | 344,842 | 143,182 |
| Other debtors | 20,333 | 6,013 |
| VAT recoverable | 135,657 | - |
| Prepayments | 2,956 | 3,921 |
| | <u>1,459,997</u> | <u>1,100,122</u> |

11. CREDITORS: amounts falling due within one year

| | 2000 | 1999 |
|------------------------------------|------------------|------------------|
| | £ | £ |
| Trade creditors | 275,480 | 167,984 |
| Amounts owed to group undertakings | 505,373 | 691,254 |
| Corporation tax | 211,985 | 84,512 |
| VAT payable | - | 15,301 |
| Accruals | 163,489 | 86,892 |
| Bank overdraft | 356,967 | - |
| | <u>1,513,294</u> | <u>1,045,943</u> |

12. CALLED UP SHARE CAPITAL

| | <i>Authorised</i> | |
|-----------------------------------|-------------------|--------------|
| | 2000 | 1999 |
| | £ | £ |
| Ordinary "A" shares of £0.01 each | 100 | 100 |
| Ordinary "B" shares of £0.01 each | 900 | 900 |
| | <u>1,000</u> | <u>1,000</u> |

NOTES TO THE ACCOUNTS

at 31 December 2000

12. CALLED UP SHARE CAPITAL (continued)

| | <i>Allotted, called up and fully paid</i> | | | |
|---|---|---------------------------|-------------------------|-------------------------|
| | <i>2000</i> <i>No.</i> | <i>1999</i> <i>No.</i> | <i>2000</i> <i>£</i> | <i>1999</i> <i>£</i> |
| Ordinary "A" shares of £0.01 each allocated, Called up and fully paid (voting rights) | 4,800 | 4,800 | 48 | 48 |
| Ordinary "B" shares of £0.01 each allocated, Called up and fully paid (no voting rights) | 4,800 | 4,800 | 48 | 48 |
| | <u>9,600</u> | <u>9,600</u> | <u>96</u> | <u>96</u> |

13. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

| | <i>Share</i> <i>Capital</i> <i>£</i> | <i>Capital</i> <i>Redemption</i> <i>Reserve</i> <i>£</i> | <i>Profit</i> <i>and loss</i> <i>account</i> <i>£</i> | <i>Total</i> <i>shareholders</i> <i>funds</i> <i>£</i> |
|---------------------|--|---|--|---|
| At 1 January 1999 | 96 | 16 | 225,778 | 225,890 |
| Profit for the year | - | - | 195,728 | 195,728 |
| At 1 January 2000 | 96 | 16 | 421,506 | 421,618 |
| Profit for the year | - | - | 285,991 | 285,991 |
| At 31 December 2000 | <u>96</u> | <u>16</u> | <u>707,497</u> | <u>707,609</u> |

14. PENSION COSTS

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. There were no contributions outstanding at the year end.

15. OPERATING LEASE COMMITMENTS

At 31 December the company had annual commitments under non-cancellable operating leases as set out below:

| | <i>Land and buildings</i> | |
|--------------------------------|---------------------------|---------------|
| | <i>2000</i> | <i>1999</i> |
| | <i>£</i> | <i>£</i> |
| Operating leases which expire: | | |
| Within one year | 7,141 | - |
| In two and five years | 4,632 | 16,212 |
| | <u>11,773</u> | <u>16,212</u> |

NOTES TO THE ACCOUNTS

at 31 December 2000

16. RELATED PARTIES

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