

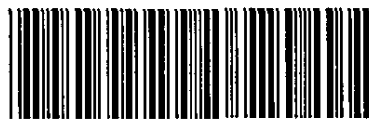
Vetco International Limited

Directors' report and financial statements

For the year ended 31 December 2007

Registered Number: 04825478

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Vetco International Limited

Directors' report and financial statements

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Vetco International Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2007.

Principal activities

The principal activity of the company is that of a holding company.

The company holds investments in a portion of the Vetco Gray group of companies which serve the oilfield service and equipment sectors of the global oil and gas industry. Vetco Gray manufactures and constructs drilling production equipment and subsea production systems.

On 23 February 2007, the group headed by the company was sold to General Electric Company. On 17 August 2007, in connection with a corporate reorganisation of the Vetco Group, the following transactions occurred:

- The company purchased all of the shares of Vetco International Holding (Delaware), Inc. from Vetco International Holding 4 for \$180,000,000;
- The company subscribed for an additional 22,500 shares of Vetco International Holding (Delaware), Inc. for \$341,868,000; and
- The company sold all of the shares of Vetco Group Limited to IGE USA Group Ltd for \$1,436,586,000. A gain of \$1,432,870,000 was realised on the sale.

The key risk facing the company is impairment of its investments caused by trading losses at the operating subsidiaries.

Results and dividends

The company realised a profit for the year after taxation of \$1,443,878,000 (year ended 31 December 2006 - loss of \$6,431,000).

The company paid a dividend of \$929,458,000 during the year (2006: \$nil).

Directors and their interests

The following directors held office during the year and up to the date of the approval of these accounts:

Vetco International Limited

Directors' report (*continued*)

Directors and their interests (*continued*)

<i>Director</i>	<i>Appointment/resignation date</i>
J Arney	(resigned 23 February 2007)
M Gumieny	(resigned 23 February 2007)
A Chavkin	(resigned 23 February 2007)
G Sword	(resigned 23 February 2007)
M Dickinson	(resigned 23 February 2007)
P Loyd	(resigned 23 February 2007)
G Hearne	(resigned 23 February 2007)
E Mykelbust	(resigned 23 February 2007)
P Goode	(resigned 23 February 2007)
A Tripodo	(resigned 23 February 2007)
W Stuek	(resigned 23 February 2007)
S Spence	(resigned 23 February 2007)
D Tucker	(appointed 23 February 2007)
D Larssen	(appointed 23 February 2007; resigned 31 July 2008)
T Ackhurst	(appointed 23 February 2007; resigned 3 August 2007)
H Ware	(appointed 17 July 2008)
A Bakhshov	(appointed 17 July 2008)
M Corbin	(appointed 25 July 2008)
J Houston	(appointed 25 July 2008)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Pursuant to a shareholders' resolution and the updates to the 2006 Companies Act, the company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

On behalf of the Board,

J Houston
Director



2 High Street
Nailsea, Bristol
BS48 1BS

3 February 2009

Vetco International Limited

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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 accounting period. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards. The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting policies have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 which 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 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Under applicable law the directors are also responsible for preparing a directors' report that complies with that law.

KPMG LLP

100 Temple Street
Bristol
BS1 6AG
United Kingdom

Independent auditors' report to the members of Vetco International Limited

We have audited the financial statements ("the financial statements") of Vetco International Limited for the year ended 31 December 2007 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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.

Vetco International Limited

Profit and loss account

for the year ended 31 December 2007

Independent auditors' report to the members of Vetco International Limited (*continued*)

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of the company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

February 4 2009

Vetco International Limited

Profit and loss account

for the year ended 31 December 2007

		Year ended 31 December 2007	Year ended 31 December 2006
	Note	\$000	\$000
Administrative expenses		<u>(3,397)</u>	<u>(6,394)</u>
Operating loss	3	(3,397)	(6,394)
Gain on disposal of investments	7	1,432,870	-
Interest receivable and similar income	4	14,401	-
Interest payable and similar charges	5	<u>(33)</u>	<u>-</u>
Profit / (loss) on ordinary activities before taxation		1,443,841	(6,394)
Tax on profit / (loss) on ordinary activities	6	<u>37</u>	<u>(37)</u>
Profit / (loss) on ordinary activities after taxation	12	<u>1,443,878</u>	<u>(6,431)</u>

The notes on pages 8 to 16 form part of these financial statements.

The results in the above profit and loss account relate entirely to continuing operations.

The company has no recognised gains and losses other than those included in the profit and loss account above, and therefore, no separate statement of total recognised gains and losses has been presented.

Vetco International Limited

Balance sheet

at 31 December 2007

			2007		2006
	Note	\$000	\$000	\$000	\$000
Fixed assets					
Investments	7		521,868		7,091
Current assets					
Debtors	8	829		1,313	
Total current assets		829		1,313	
Creditors: amounts falling due within one year	9	(88)		(6,349)	
Net current assets (liabilities)			741		(5,036)
Total assets less current liabilities			522,609		2,055
Creditors: amounts falling due after more than one year	10		-		(5,485)
Net assets (liabilities)			522,609		(3,430)
Capital and reserves					
Called up share capital	11	97		10	
Share premium	12	7,946		4,040	
Capital reserve	1, 12	153		-	
Profit and loss account	12	514,413		(7,480)	
Total shareholders' funds (deficit)			522,609		(3,430)

The notes on pages 8 to 16 form part of these financial statements.

These financial statements were approved by the board of directors on 3 February 2009 and were signed on its behalf by:



J Houston
Director

Vetco International Limited

Notes (continued)

1. Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, except as noted below.

(a) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom under the going concern principle using historical cost accounting rules.

As the company is an indirect wholly owned subsidiary of General Electric Company, it has taken advantage of the exemption contained in Financial Reporting Standard (FRS) 8 and not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of General Electric Company within which this company is included, can be obtained from the address given in note 13.

(b) Group accounts

The company is exempt under Section 228a of the Companies Act 1985 from the requirement to prepare and deliver group financial statements because group financial statements have been prepared as at 31 December 2007 by its ultimate parent undertaking, General Electric Company. The consolidated financial statements of General Electric Company, within which this company is included, can be obtained from the address given in note 13.

These financial statements present information about Vetco International Limited as an individual undertaking and not about its group.

(c) Cash flow statement

Under FRS 1 (Revised 1996), the company is exempt from the requirement to prepare a cash flow statement. Exemption is on the grounds that it is a wholly owned subsidiary undertaking and its cash flows appear in a consolidated cash flow statement in the financial statements of its ultimate parent company which can be obtained from the address given in note 13.

(d) Taxation

The charge / (credit) for taxation is based on the result for the year.

Full provision is made for deferred tax liabilities from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse. Deferred tax assets and liabilities are not discounted.

Vetco International Limited

Notes (continued)

1. Accounting policies (continued)

(e) Investments

Investments in subsidiary undertakings are stated at cost less permanent diminution in value where necessary.

(f) Share based payment

The Vetco Employee Benefit Trust ("VEBT") is governed by a trust deed and has the object of ensuring the shares of Vetco International Limited acquired by VEBT are held by the trust for the benefit of certain of the group's employees.

In accordance with FRS20, the company recognises the fair value of the shares granted as an employee expense with a corresponding increase in liabilities. The cost to the employer of the shares is spread over the period during which the employees become unconditionally entitled to them.

The trust was dissolved on 23 February 2007 in connection with the purchase of all the company's shares by General Electric Company. Upon its dissolution, the trust settled liabilities to the relevant employees by distributing cash and shares and loan notes in Aibel Limited, a former subsidiary of the company.

(g) Capital reserve

The reserve comprises the proceeds from the warrants redeemed by the company during the year.

2. Directors' emoluments and employee information

The directors of the company received no remuneration in their capacity as directors of Vetco International Limited for the years ended 31 December 2007 and 2006.

The company had no employees during the years ended 31 December 2007 and 2006.

3. Operating loss

Operating loss is stated after charging :

	Year ended 31 December 2007	Year ended 31 December 2006
	\$000	\$000
Auditors' remuneration	63	-
Compensation charges related to employee trust	<u>3,375</u>	<u>6,394</u>

The auditors' remuneration of \$63,000 for the year has been borne by another group company.

Vetco International Limited

Notes (continued)

4. Interest receivable and similar income

	Year ended 31 December 2007	Year ended 31 December 2006
	\$000	\$000
On amounts receivable from group undertakings	14,398	-
Interest income on interest rate swaps	<u>3</u>	<u>-</u>
	<u>14,401</u>	<u>-</u>

5. Interest payable and similar charges

	Year ended 31 December 2007	Year ended 31 December 2006
	\$000	\$000
On amounts receivable from group undertakings	<u>33</u>	<u>-</u>

6. Tax on ordinary activities

a) Analysis of charge in the period

	Year ended 31 December 2007	Year ended 31 December 2006
	\$000	\$000
Current Tax		
UK corporation tax at 30% (2006: 30%)		(37)
Adjustments in respect of prior years	<u>37</u>	<u>-</u>
Total current tax credit / (charge)	<u>37</u>	<u>(37)</u>
Tax on profit on ordinary activities	<u>37</u>	<u>(37)</u>

Vetco International Limited

Notes (continued)

6. Tax on ordinary activities (continued)

b) Factors affecting current tax charge in period

	Year ended 31 December 2007	Year ended 31 December 2006
	\$000	\$000
Profit (loss) on ordinary activities before tax	<u>1,443,841</u>	<u>(6,394)</u>
Tax (charge) credit on profit (loss) on ordinary activities at UK standard rate of 30%	(433,152)	1,918
Non Deductible expenses	(1,012)	-
Non-taxable gain on sale of subsidiary	429,861	-
Group relief not paid for	<u>4,340</u>	<u>(1,955)</u>
Adjustments in respect of prior years	<u>37</u>	-
Total current tax credit (charge) for the period	<u>37</u>	<u>(37)</u>

Deferred tax assets and liabilities on all timing differences have been calculated at 28%, being the rate of corporation tax effective from 1 April 2008, including those expected to reverse in the year ended 31 December 2008 (the effective rate for which would otherwise be 28.5%). The impact of this on the financial statements is not considered material.

7. Fixed asset investments

	Shares in subsidiary undertakings	
	2007	2006
Cost	\$000	\$000
At 1 January	7,091	7,091
Additional investments in year	521,868	-
Sales in year	<u>(7,091)</u>	-
At 31 December	521,868	7,091
Provisions for diminution in value	<u>-</u>	<u>-</u>
Net book value	<u>521,868</u>	<u>7,091</u>

The company purchased all of the shares in Vetco International Holding (Delaware), Inc. from Vetco International Holding 4 on 16 August 2007. Vetco International Holding (Delaware), Inc. is a holding company incorporated in the United States whose direct and indirect subsidiary undertakings operate in the oil and gas services and equipment sector. The principal trading activities of Vetco International Holding (Delaware), Inc. and its subsidiary undertakings are the manufacture and construction of drilling production equipment and subsea systems.

Vetco International Limited

Notes (continued)

7. Fixed asset investments (continued)

On 17 August 2007, the company sold all of the shares of Vetco Group Limited to IGE USA Group Ltd (later sold to GE Infrastructure Group UK Ltd) for \$1,436,586,000. A gain of \$1,432,870,000 was realised on the sale, which is the gain on disposal of investments arising in the year.

The table below sets out the name, country of registration, ownership interest and primary business activity of each of the company's direct and indirect subsidiaries. Dormant companies are not listed.

<i>Subsidiary undertakings</i>	<i>Country of registration</i>	<i>Ownership</i>	<i>Primary business activity</i>
Vetco International Holding (Delaware), Inc	United States	100%	Holding company
Vetco Gray Controls Inc	United States	100%	Manufacture and construction of subsea production systems
Vetco Gray, Inc	United States	100%	Manufacture and construction of drilling and production
Vetco Gray Argentina SA	Argentina	100%	Manufacture and construction of surface drilling and
Vetco Gray Trinidad Ltd	Trinidad	100%	Field services and asset management services
Vetco Gray Mexico SA de CV	Mexico	100%	Manufacture, service, remanufacture and inspection of oil and natural gas valve equipment
Vetco Gray de Venezuela CA	Venezuela	100%	Manufacture and construction of surface drilling and
Vetco Gray Servicios de Venezuela, C.A.	Venezuela	100%	Service, remanufacture and inspection of oil and natural gas wells
Vetco Gray Australia Pty Ltd	Australia	100%	Sale and assembly of drilling equipment of the oil and gas industry
Pt Vetco Gray Indonesia	Indonesia	100%	Design, manufacture, fabrication, rental and repair of drilling equipment for the oil and gas industry
Vetco Gray (Hong Kong) Limited	Hong Kong	100%	Holding company

Vetco International Limited

Notes (continued)

7. Fixed asset investments (continued)

Vetco Gray Petroleum Equipment (Shanghai) Co Ltd	China	60%	Manufacture and distribution of onshore and offshore drilling and production equipment
Vetco Gray France SARL	France	100%	Sale of Vetco Gray products and services required in region

The directors have reviewed the carrying value of the company's investments as at 31 December 2007 and, in their opinion, the shares in its subsidiary undertakings are worth at least the amount stated in the balance sheet.

8. Debtors

	31 December 2007	31 December 2006
	\$000	\$000
Owed by group undertakings due within one year	773	1,313
Other debtors	<u>56</u>	<u>-</u>
	<u>829</u>	<u>1,313</u>

9. Creditors: amounts falling due within one year

	31 December 2007	31 December 2006
	\$000	\$000
Due to group undertakings within one year	56	-
Other creditors	<u>32</u>	<u>6,349</u>
	<u>88</u>	<u>6,349</u>

10. Creditors: amounts falling due in more than one year

	31 December 2007	31 December 2006
	\$000	\$000
Preferred ordinary shares, including share premium	-	3,993
Other creditors	<u>-</u>	<u>1,492</u>
	<u>-</u>	<u>5,485</u>

Vetco International Limited

Notes (continued)

11. Called up share capital

	31 December 2007	31 December 2006
Authorised:	\$000	\$000
100 ordinary shares of £1 each	-	-
11,500,000 common ordinary shares of \$0.01 each (2006: 1,500,000 common ordinary shares of \$0.01 each and 10,000,000 shares of preferred ordinary shares of \$0.01 each)	<u>115</u>	<u>15</u>
	<u>115</u>	<u>15</u>
Allotted, called up and fully paid:		
1 ordinary share of £1	-	-
9,655,280 ordinary shares of \$0.01 each (2006: 975,741 common ordinary shares of \$0.01 each and 8,679,539 preferred ordinary shares of \$0.01 each)	<u>97</u>	<u>10</u>
	<u>97</u>	<u>10</u>

During the year the authorised share capital of \$15,000, divided into 1,500,000 ordinary shares of \$0.01 each, was increased to \$115,000, and divided into 11,500,000 ordinary shares of \$0.01 each. In addition, 8,679,539 preferred ordinary shares were converted to common ordinary shares upon the purchase of the company's shares by General Electric Company.

12. Reconciliation of shareholders' funds and movements on reserves

	Share capital \$000	Share premium \$000	Capital reserve \$000	Profit and loss account \$000	Total shareholders' funds \$000
At 1 January 2007	10	4,040	-	(7,480)	(3,430)
Profit for the year	-	-	-	1,443,878	1,443,878
Dividends paid	-	-	-	(929,458)	(929,458)
Conversion of preferred ordinary shares to common ordinary shares	87	3,906	-	-	3,993
Redemption of warrants	-	-	153	(153)	-
Settlement of Vetco Employee Benefit Trust	-	-	-	7,626	7,626
At 31 December 2007	<u>97</u>	<u>7,946</u>	<u>153</u>	<u>514,413</u>	<u>522,609</u>

Vetco International Limited

Notes (continued)

12. Reconciliation of shareholders' funds and movements on reserves (continued)

The 8,679,539 preferred ordinary shares were shown as long-term creditors in the prior year. These shares were converted to common ordinary shares upon the purchase of the company's shares by General Electric Company.

The company issued warrants to purchase 340,000 preferred ordinary shares in connection with the issuance of the mezzanine debt on 12 July 2004. These warrants were cancelled on 23 February 2007 concurrent with the purchase of all the company's shares by General Electric Company.

The company established an employee trust in 2005 to provide benefits to certain employees. The trust was dissolved on 23 February 2007 in connection with the purchase of all the company's shares by General Electric Company. Upon its dissolution, the trust settled liabilities to the relevant employees by distributing cash and shares and loan notes in Aibel Limited, a former subsidiary of the company, equal to the value of the liability built up.

13. Parent undertaking

The company's immediate parent undertaking and controlling party is IGE USA Group Ltd, a company registered in the United Kingdom.

The group in which the results of the company are consolidated is that headed by the company's ultimate parent undertaking and ultimate controlling party, General Electric Company, a company registered in the United States. The consolidated financial statements of General Electric Company can be obtained from the United States Securities and Exchange Commission, 100 F Street NE, Washington, District of Columbia 20549 or online at www.sec.gov.

14. Contingent liabilities

Compliance review, program and code

During 2002, the Vetco Group undertook an investigation of potentially improper business conduct. As a result of this investigation, it was discovered that during the period from 1998 to the date of investigation, that some employees were apparently involved in making unauthorised payments to third parties of approximately \$1,100,000 with promises of additional payments. The payments were made in order to obtain confidential information and favourable consideration from local officials in a West African country with respect to contracts upon which the Vetco Group was bidding. The findings were voluntarily reported by the Vetco Group to the US Department of Justice ("DOJ") and the US Securities and Exchange Commission ("SEC"). The Vetco Group undertook an extensive compliance review of its oil, gas and petrochemicals business jointly with the DOJ and SEC. On 7 July 2004, the Vetco Group announced it had concluded the compliance review and resolved proceedings with the DOJ and SEC. Prior to the GE acquisition, the Vetco Group paid penalties of \$10,500,000 for violation of the Foreign Corrupt Practices Act ("FCPA"), and paid \$5,900,000 for disgorgement of illicit profits.

As a part of the Vetco Group's agreement with the U.S. government authorities, it has adopted a compliance program and code of conduct intended to detect and prevent future violations of laws related to improper payments. These procedures included the formation of a compliance committee of the board of directors, appointment of a chief compliance officer, rigorous reviews

Vetco International Limited

Notes *(continued)*

of relationships with customers, agents and other representatives and an annual audit of the compliance program.

In 2006, the Vetco Group discovered that some employees were involved in making unauthorised payments of approximately \$2,100,000 over a two-year period to government officials of the same West African company through a major international freight forwarding company. These payments were made in order to obtain preferential treatment during the customs process. These payments were voluntarily reported by the Vetco Group to the DOJ. On 6 February 2007, the Vetco Group entered into a plea and deferred adjudication agreement with the DOJ and paid \$26,004,000 of fines and disgorgement of illicit profits for violations of the FCPA.

Management are continuing to monitor the compliance program and are in ongoing discussions with compliance counsel and the DOJ to work towards a satisfactory ongoing program.