

Vetco International Limited

Directors' report and financial statements

for the year ended 31 December 2011
Registered number 04825478



Vetco International Limited

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Vetco International Limited

Directors' report

The directors present their report and the financial statements for the year ended 31 December 2011

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.

Results and dividends

The loss for the year, after taxation, amounted to \$359,000 (2010: loss \$28,000).

The directors do not recommend the payment of a dividend (2010: \$nil).

Directors

The directors who served during the year and up to the date of the directors' report were:

M Corbin (resigned 14 December 2011)
S Hoffmann
M Tarditi
C J Apps (appointed 29 November 2011)
A Campori (appointed 7 March 2012)

Provision of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

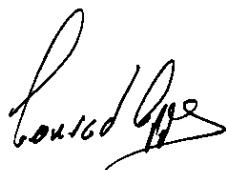
Vetco International Limited

Directors' report

Auditors

Under section 487 of the Companies Act 2006, KPMG Audit Plc will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed of filing the accounts with the registrar, whichever is earlier

This report was approved by the board on 27 JUNE 2012 and signed on its behalf



Director

C APPS

25 Green Street
Mayfair
W1K 7AX

Vetco International Limited

Directors' responsibilities statement for the year ended 31 December 2011

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 year. 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 these 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 UK Accounting Standards 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 adequate 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 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.

Vetco International Limited

Independent auditors' report to the members of Vetco International Limited

We have audited the financial statements of Vetco International Limited for the year ended 31 December 2011, which comprise the profit and loss account, the balance sheet and the related notes. 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 auditors' 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 directors' responsibilities statement, 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 and express an opinion on 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 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. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of 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 year for which the financial statements are prepared is consistent with the financial statements.

Vetco International Limited

Independent auditors' report to the members of Vetco International Limited

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 not 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.



D MacAskill (senior statutory auditor)

for and on behalf of
KPMG LLP

Statutory Auditor
Chartered Accountants

37 Albyn Place

Aberdeen

AB10 1JB

Date 28 June 2012

Vetco International Limited

Profit and loss account for the year ended 31 December 2011

	Note	2011 \$000	2010 \$000
Administrative expenses		(31)	(27)
Operating loss		(31)	(27)
Interest payable and similar charges	4	-	(1)
Loss on ordinary activities before taxation		(31)	(28)
Tax on loss on ordinary activities	5	(328)	-
Loss for the financial year	10	(359)	(28)

All amounts relate to continuing operations

There were no recognised gains and losses for 2011 or 2010 other than those included in the profit and loss account.

The notes on pages 8 to 13 form part of these financial statements

Vetco International Limited
Registered number 04825478

Balance sheet
as at 31 December 2011

	Note	\$000	2011 \$000	\$000	2010 \$000
Fixed assets					
Investments	6		347,068		347,068
Current assets					
Debtors	7	1,551		1,913	
Creditors amounts falling due within one year	8	(2,176)		(2,179)	
Net current liabilities			(625)		(266)
Net assets			<u>346,443</u>		<u>346,802</u>
Capital and reserves					
Called up share capital	9		3,097		3,097
Share premium account	10		16,146		16,146
Capital reserves	10		153		153
Profit and loss account	10		<u>327,047</u>		<u>327,406</u>
Shareholders' funds	11		<u>346,443</u>		<u>346,802</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

27 June 2012

 C APPS

Director

The notes on pages 8 to 13 form part of these financial statements

Vetco International Limited

Notes to the financial statements

1 Accounting policies

1.1 Basis of preparation of financial statements

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

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 401 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The financial statements have been prepared on a going concern basis, notwithstanding net current liabilities of \$625,000 (2010: \$266,000).

The directors have reviewed the financial position of the company, including the arrangements with group undertakings. The directors have considered the financial position of the company's immediate group and ultimate parent.

On the basis of their assessment of the company's financial position and of the enquiries made by the directors, the company's directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the immediate group to continue as a going concern. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although at the date of approval of these financial statements, they have no reason that it will not do so. Accordingly they expect that the company will be able to continue in operational existence for the foreseeable future and hence continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.3 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

1.4 Taxation

Taxation for the year is based on the loss for the year.

Full provision is made for deferred tax liabilities arising 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 to the financial statements

1. Accounting policies (continued)

1.5 Transactions with related parties

The company, as a wholly owned subsidiary undertaking of General Electric Company, has taken advantage of an exemption contained in FRS 8, "Related Party Disclosures", in preparing its financial statements. This exemption allows the company not to disclose details of transactions with other group companies or investees of the group qualifying as related parties, as the consolidated financial statements of General Electric Company, in which the company is included, are publicly available.

2 Auditors' remuneration

	2011 \$000	2010 \$000
Fees payable to the company's auditor for the audit of the company's annual accounts	8	8

3 Staff costs

The company has no employees other than the directors, who did not receive any remuneration (2010: \$nil)

4 Interest payable and similar charges

	2011 \$000	2010 \$000
On loans from group undertakings	-	1

5 Taxation

	2011 \$000	2010 \$000
Foreign tax adjustments in respect of prior periods	328	-
Tax on loss on ordinary activities	328	-

Vetco International Limited

Notes to the financial statements

5 Taxation (continued)

Factors affecting current tax charge for the year

The current tax assessed for the year is higher than (2010 higher than) the standard rate of corporation tax in the UK of 26.5% (2010 28%). The differences are explained below:

	2011 \$000	2010 \$000
Loss on ordinary activities before tax	(31)	(28)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010 28%)	(8)	(8)
<i>Effects of:</i>		
Group relief not paid for	8	8
Adjustments to tax charge in respect of previous periods - foreign tax	328	-
Current tax charge for the year (see note above)	328	-

Factors that may affect future tax charges

The rate of UK corporation tax that was enacted at the balance sheet date was 25% which is applicable from 1 April 2012. Subsequently, the UK government has announced that the UK corporation tax rate will reduce from 26% to 24% on 1 April 2012. It is expected that the corporation tax rate will reduce to 22% over the following two years. There are no other factors that may significantly affect future tax charges.

There are no amounts of provided or unprovided deferred taxation as at 31 December 2011 or 31 December 2010.

Vetco International Limited

Notes to the financial statements

6. Fixed asset investments

	Investments in subsidiary companies \$000
Cost or valuation	
At 1 January 2011 and 31 December 2011	530,068
Impairment	
At 1 January 2011 and 31 December 2011	183,000
Net book value	
At 31 December 2011	347,068
At 31 December 2010	347,068

At each balance sheet date the company reviews the carrying amounts of its investments to determine whether there is any indication that those investments have suffered an impairment loss. If such indication exists, the recoverable amount of the investment is estimated based on its net asset value and value in use. Value in use is calculated using a discount rate in the range of 8-13% on the future identifiable cash flows. Where the recoverable amount of the investment is less than the carrying value an impairment loss is recognised as an expense.

Details of the company's subsidiaries are set out below:-

Name and nature of business	Country of registration	Percentage of shares held
Vetco Gray, Inc - Manufacture and construction of drilling and production equipment	United States	100%
Vetco Gray Argentina SA - Manufacture and construction of surface drilling and completion systems	Argentina	100%
Vetco Gray Trinidad Ltd - Field services and asset management services	Trinidad	100%
Vetco Gray Mexico SA de CV - Manufacture, service, remanufacture and inspection of oil and natural gas valve equipment	Mexico	100%
Vetco Gray de Venezuela CA - Manufacture and construction of surface drilling	Venezuela	100%
Vetco Gray Servicios de Venezuela, C A - Service, remanufacture and inspection of oil and natural gas wells	Venezuela	100%

Vetco International Limited

Notes to the financial statements

6. Fixed asset investments (continued)

Name and nature of business	Country of registration	Percentage of shares held
Vetco Gray Australia Pty Ltd - Sale and assembly of drilling equipment of the oil and gas industry	Australia	100%
Pt Vetco Gray Indonesia - Design, manufacture, fabrication, rental and repair of drilling equipment for the oil and gas industry	Indonesia	100%
Vetco Gray (Hong Kong) Limited - Holding Company	Hong Kong	100%
Vetco Gray Petroleum Equipment (Shanghai) Co Ltd - Manufacture and distribution of onshore and offshore drilling and production equipment	China	60%
Vetco Gray France SARL - Sale of Vetco Gray products and services required in region	France	100%

The directors have reviewed the carrying value of the company's investments as at 31 December 2011 and, in their opinion, the shares in its subsidiary undertakings are worth at least the amount stated in the balance sheet

7. Debtors

	2011 \$000	2010 \$000
Amounts owed by group undertakings	1,550	1,912
Accrued income	1	1
	<u>1,551</u>	<u>1,913</u>

8. Creditors

Amounts falling due within one year

	2011 \$000	2010 \$000
Corporation tax	2,162	2,162
Other creditors	14	17
	<u>2,176</u>	<u>2,179</u>

Vetco International Limited

Notes to the financial statements

9 Share capital

	2011 \$000	2010 \$000
Authorised		
100 ordinary shares of £1 each	-	-
311,500,000 common ordinary shares of £0.01 each	3,115	3,115
	<u>3,115</u>	<u>3,115</u>
Allotted, called up and fully paid		
309,665,280 common ordinary shares of £0.01 each	3,097	3,097
	<u>3,097</u>	<u>3,097</u>

10 Reserves

	Share premium account \$000	Capital reserves \$000	Profit and loss account \$000
At 1 January 2011	16,146	153	327,406
Loss for the year	-	-	(359)
At 31 December 2011	<u>16,146</u>	<u>153</u>	<u>327,047</u>

11. Reconciliation of movement in shareholders' funds

	2011 \$000	2010 \$000
Opening shareholders' funds	346,802	346,830
Loss for the year	(359)	(28)
Closing shareholders' funds	<u>346,443</u>	<u>346,802</u>

12 Ultimate parent undertaking and controlling party

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