

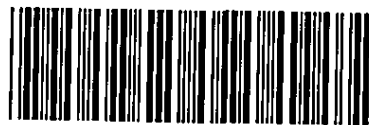
# **Vetco International Limited**

Directors' report and financial statements

For the year ended 31 December 2008

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 2008.

### **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.

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 loss for the year before taxation of \$12,000 (year ended 31 December 2007 – profit of \$1,443,841,000).

The company paid a dividend of \$nil during the year (2007: \$929,458,000).

### **Directors and their interests**

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

D Tucker	Resigned 20 March 2009
D Larssen	Resigned 31 July 2008
H Ware	Appointed 17 July 2008
A Bakhshov	Appointed 17 July 2008
M Corbin	Appointed 25 July 2008
J Houston	Appointed 25 July 2008, resigned 31 August 2009

# Vetco International Limited

## Directors' report (*continued*)

### 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, the company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

On behalf of the Board,



M Corbin  
Director

25 Green Street  
London  
W1K 7AX

29<sup>th</sup> October 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.



37 Albyn Place  
Aberdeen  
AB10 1JB  
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 2008 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.

## 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 2008 and of the company's loss 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

29 October 2009

KPMG LLP  
Chartered Accountants  
Registered Auditor

**Vetco International Limited**  
**Profit and loss account**  
*for the year ended 31 December 2008*

		<b>Year ended 31 December 2008</b>	<b>Year ended 31 December 2007</b>
	<i>Note</i>	<b>\$000</b>	<b>\$000</b>
Administrative expenses		<u>(26)</u>	<u>(3,397)</u>
<b>Operating loss</b>	<b>3</b>	<b>(26)</b>	<b>(3,397)</b>
Gain on disposal of investments		-	1,432,870
Interest receivable and similar income	4	14	14,401
Interest payable and similar charges	5	<u>-</u>	<u>(33)</u>
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(12)</b>	<b>1,443,841</b>
Tax on (loss)/profit on ordinary activities	6	<u>-</u>	<u>37</u>
<b>(Loss)/profit on ordinary activities after taxation</b>	<b>11</b>	<b><u>(12)</u></b>	<b><u>1,443,878</u></b>

The notes on pages 8 to 14 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 2008

			2008	2007
	Note	\$000	\$000	\$000
<b>Fixed assets</b>				
Investments	7		521,868	521,868
<b>Current assets</b>				
Debtors	8	729		829
<b>Creditors:</b> amounts falling due within one year	9	-		(88)
<b>Net current assets</b>			<u>729</u>	<u>741</u>
<b>Total assets less current liabilities</b>			<u>522,597</u>	<u>522,609</u>
<b>Net assets</b>			<u>522,597</u>	<u>522,609</u>
<b>Capital and reserves</b>				
Called up share capital	10	97		97
Share premium	11	7,946		7,946
Capital reserve	11	153		153
Profit and loss account	11	<u>514,401</u>	<u>514,413</u>	
<b>Total shareholders' funds</b>			<u>522,597</u>	<u>522,609</u>

The notes on pages 8 to 14 form part of these financial statements.

These financial statements were approved by the board of directors on 29<sup>th</sup> October 2009 and were signed on its behalf by:

  
M Corbin  
Director

Registered number: 04825478

# **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 12.

#### **(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 2008 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 12.

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 12.

#### **(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 impairment where necessary.

### 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 2008 and 2007.

The company had no employees during the years ended 31 December 2008 and 2007.

### 3. Operating loss

Operating loss is stated after charging:

	Year ended 31 December 2008 \$000	Year ended 31 December 2007 \$000
Auditors' remuneration	-	63
Compensation charges related to employee trust	<u>-</u>	<u>3,375</u>

The auditors' remuneration of \$25,160 for the year has been borne by another group company.

### 4. Interest receivable and similar income

	Year ended 31 December 2008 \$000	Year ended 31 December 2007 \$000
On amounts receivable from group undertakings	14	14,398
Interest income on interest rate swaps	<u>-</u>	<u>3</u>
	<u>14</u>	<u>14,401</u>

### 5. Interest payable and similar charges

	Year ended 31 December 2008 \$000	Year ended 31 December 2007 \$000
On amounts receivable from group undertakings	<u>-</u>	<u>33</u>

# Vetco International Limited

## Notes (continued)

### 6. Tax on ordinary activities

#### a) Analysis of charge/(credit) in the period

	Year ended 31 December 2008	Year ended 31 December 2007
	\$000	\$000
Current Tax		
UK corporation tax at 28% (2007: 30%)	-	-
Adjustments in respect of prior years	-	(37)
<b>Total current tax</b>	<u>-</u>	<u>(37)</u>
<b>Tax on (loss)/profit on ordinary activities</b>	<u>-</u>	<u>(37)</u>

#### b) Factors affecting current tax charge in period

The tax assessed for the year is higher than (2007: lower than) the standard rate of corporation tax in the UK of 28.5% (2007: 30%). The differences are reconciled below:

	Year ended 31 December 2008	Year ended 31 December 2007
	\$000	\$000
(Loss)/profit on ordinary activities before tax	<u>(12)</u>	<u>1,443,841</u>
Tax credit/ (charge) on (loss)/profit on ordinary activities at UK standard rate of 28.5% (2007: 30%)	(4)	433,152
Non deductible expenses	-	1,012
Non-taxable gain on sale of subsidiary	-	(429,861)
Group relief not paid for	4	(4,303)
Adjustments in respect of prior years	<u>-</u>	<u>(37)</u>
<b>Total current tax for the period</b>	<u>-</u>	<u>(37)</u>

#### c) Factors that may affect future tax charges

There are no amounts of provided or unprovided deferred taxation as at 31 December 2008 or 31 December 2007. There are no other factors that may significantly affect future tax charges.

# Vetco International Limited

## Notes *(continued)*

### 7. Fixed asset investments

	Shares in subsidiary undertakings
Cost	2008 \$000
At 1 January 2008 & 31 December 2008	<u>521,868</u>

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.

# Vetco International Limited

## Notes (continued)

### 7. Fixed asset investments (continued)

<i>Subsidiary undertakings</i>	<i>Country of registration</i>	<i>Ownership</i>	<i>Primary business activity</i>
Vetco Gray, Inc	United States	100%	Manufacture and construction of drilling and production equipment
Vetco Gray Argentina SA	Argentina	100%	Manufacture and construction of surface drilling and completion systems
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 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 2008 and, in their opinion, the shares in its subsidiary undertakings are worth at least the amount stated in the balance sheet.

# Vetco International Limited

## Notes (continued)

### 8. Debtors

	31 December 2008	31 December 2007
	\$000	\$000
Owed by group undertakings due within one year	729	773
Other debtors	-	56
	<u>729</u>	<u>829</u>

### 9. Creditors: amounts falling due within one year

	31 December 2008	31 December 2007
	\$000	\$000
Due to group undertakings within one year	-	56
Other creditors	-	32
	<u>-</u>	<u>88</u>

### 10. Called up share capital

	31 December 2008	31 December 2007
	\$000	\$000
<b>Authorised:</b>		
100 ordinary shares of £1 each	-	-
11,500,000 common ordinary shares of \$0.01 each	<u>115</u>	<u>115</u>
	<u>115</u>	<u>115</u>
<b>Allotted, called up and fully paid:</b>		
9,655,280 ordinary shares of \$0.01 each	<u>97</u>	<u>97</u>
	<u>97</u>	<u>97</u>

# Vetco International Limited

## Notes (continued)

### 11. 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 2008	97	7,946	153	514,413	522,609
Loss for the year	-	-	-	(12)	(12)
At 31 December 2008	<u>97</u>	<u>7,946</u>	<u>153</u>	<u>514,401</u>	<u>522,597</u>

### 12. 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](http://www.sec.gov).