

Company Registration No. 4650374

VSFUSION LIMITED

Report and Financial Statements

31 December 2004



VSFUSION LIMITED

Report and financial statements 2004

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VSFUSION LIMITED

Report and financial statements 2004

Officers and professional advisers

Directors

S D Bishop
L A Morrison

Secretary

D C Sheils

Registered Office

Watson House
54 Baker Street
London
W1U 7WH

Independent Auditors

Deloitte & Touche LLP
Aberdeen

VSFUSION LIMITED

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

Activities

The principal activity of the company is the provision of borehole seismic services.

Review of results, developments and future prospects

The directors are satisfied with the result for the year in the first full year of trading. The directors are pleased with the development of the company and are confident of the future prospects.

The profit after tax for the year amounted to £237,478 (2003 (11 months): loss £129,319) and the directors recommend that the retained profit is transferred to reserves.

Directors and their interests

The present membership of the board is set out on page 1. The directors of the company during the year were:

S D Bishop

L A Morrison (appointed 8 January 2004)


None of the directors hold interests in the shares of the company or of any group companies.

D K C Wright resigned as Secretary of the company on 29 November 2005. On 29 November 2005 D C Sheils was appointed.

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the special provisions relating to small companies under section 246 Companies Act 1985.

 12 July 2006

Approved by the Board of Directors
and signed on behalf of the Board

Director

VSFUSION LIMITED

Statement of directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or 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 judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- 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 are also responsible for the system of internal control, 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 VSFUSION LIMITED

We have audited the financial statements of VSFusion Limited for the year ended 31 December 2004 which comprise the profit and loss account, the balance sheet and the related notes 1 to 12. 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 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 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 United Kingdom legal and regulatory requirements and 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 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 for the above period and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

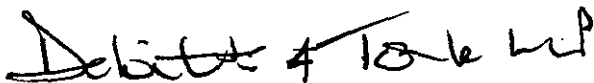
Basis of opinion

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 the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Aberdeen

25 July 2006

VSFUSION LIMITED

Profit and loss account

Year ended 31 December 2004

		2004	28 January to 31 December 2003
	Note	£	£
Turnover: continuing operations	3	2,784,591	1,854,596
Cost of sales		(1,556,741)	(1,366,136)
Gross profit		1,227,850	488,460
Administrative expenses		(890,480)	(663,779)
Profit/(loss) on ordinary activities before tax	4	337,370	(175,319)
Tax on profit/(loss) on ordinary activities	5	(99,892)	46,000
Retained profit/(loss) for the financial period	9	237,478	(129,319)

There have been no recognised gains and losses attributable to the shareholders other than the profit/(loss) for the current year or prior period and accordingly, no statement of total recognised gains and losses is shown.

VSFUSION LIMITED

Balance sheet 31 December 2004

	Note	2004 £	2003 £
Current assets			
Debtors	6	790,369	1,530,262
Cash at bank and in hand		840	-
		<u>791,209</u>	<u>1,530,262</u>
Creditors: amounts falling due within one year	7	<u>(683,049)</u>	<u>(1,659,580)</u>
Net assets/(liabilities)		<u>108,160</u>	<u>(129,318)</u>
Capital and reserves			
Called up share capital	8	1	1
Profit and loss account	9	<u>108,159</u>	<u>(129,319)</u>
Total equity shareholders' funds/(deficit)	10	<u>108,160</u>	<u>(129,318)</u>

These financial statements have been prepared in accordance with the special provisions relating to small companies under section 246 of the Companies Act 1985.

These financial statements were approved by the Board of Directors on 12 July 2006

Signed on behalf of the Board of Directors



Director

VSFUSION LIMITED

Notes to the financial statements Year ended 31 December 2004

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Cash flow statement

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that it qualifies as a small company under Sections 246 and 247 of the Companies Act 1985.

Foreign currencies

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities are translated at rates ruling at the balance sheet date. All exchange rate gains and losses are reflected in the profit and loss account.

Taxation

Corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Turnover

Revenue is recognised when it is earned. Revenue is earned when the product is delivered and title passes, or when the service has been rendered.

2. Prior year reclassification

In the prior year, amounts due from related parties of £1,363,845 have been reclassified and have been shown within trade debtors, in line with current year presentation.

3. Turnover

Turnover represents the value of goods and services provided under the company's principal activity, stated net of value added tax.

No further analysis of turnover is provided as the directors believe that this may be prejudicial to the best interest of the company.

VSFUSION LIMITED

Notes to the financial statements Year ended 31 December 2004

4. Profit/(loss) on ordinary activities before taxation

	2004 £	28 January to 31 December 2003 £
Profit/(loss) on ordinary activities before taxation is after charging:		
Auditors' remuneration	10,000	10,000
Foreign exchange loss	8,677	14,149

During the year the company was recharged from another group company £10,765, £152,536, £nil (2003: £16,292, £171,215 and £1,482) in relation to hire of plant and machinery, land and buildings and vehicles respectively.

No directors received emoluments from the company during the year. The employee contracts and associated costs are held by a fellow subsidiary company, and are recharged to the company at an appropriate rate. The total amount of employee costs recharged during the year was £715,635 (2003: £847,595).

5. Tax on profit/(loss) on ordinary activities

	2004 £	28 January to 31 December 2003 £
Current taxation		
Corporate tax at standard rate	(67,414)	-
Deferred taxation		
Timing differences, organisation and reversal	(34,322)	46,000
Adjustment in respect of prior years	1,844	-
Total deferred tax (note 6)	(32,478)	46,000
Tax on profit/(loss) on ordinary activities	(99,892)	46,000

The standard rate of tax for the period, based on the UK standard rate of corporation tax is 30% (2003: 30%). The actual tax charge for the current period exceeds the standard rate for the reasons set out in the following reconciliation:

VSFUSION LIMITED

Notes to the financial statements Year ended 31 December 2004

5. Tax on profit/(loss) on ordinary activities (continued)

	2004 £	31 January to 31 December 2003 £
Profit/(loss) on ordinary activities before tax	337,370	(175,319)
Tax on (profit)/loss on ordinary activities at standard rate	(101,211)	52,596
Factors affecting charge for the period:		
Expenses not deductible for tax purposes	(525)	(6,596)
Capital allowances in excess of depreciation	2,478	-
Utilisation of tax losses	31,844	(46,000)
Current tax charge for the period	(67,414)	-

6. Debtors

	2004 £	2003 Restated note 2 £
Trade debtors	739,006	1,363,845
Other debtors	37,841	120,417
Deferred tax asset (note 5)	13,522	46,000
	790,369	1,530,262

Deferred tax asset

A deferred tax asset of £13,522 has been recognised at 31 December 2004 (2003: £46,000). This asset, which relates to trading losses incurred from the period of incorporation to 31 December 2004, has been recognised in the financial statements following successful development of the company. The directors are of the opinion, based on recent and forecast trading, that the level of profits in the next financial year will exceed the losses incurred during the development phase of the company.

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Notes to the financial statements Year ended 31 December 2004

7. Creditors: amounts falling due within one year

	2004 £	2003 £
Amounts due to related parties (note 11)	663,900	1,659,580
Corporation tax	19,149	-
	<u>683,049</u>	<u>1,659,580</u>

8. Called up share capital

	2004 £	2003 £
Authorised:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
1 ordinary share of £1 each	<u>1</u>	<u>1</u>

9. Profit and loss account

	2004 £	2003 £
At 1 January 2004	(129,319)	-
Profit/(loss) for the year/period	<u>237,478</u>	<u>(129,319)</u>
At 31 December 2004	<u>108,159</u>	<u>(129,319)</u>

10. Reconciliation of movement in shareholders' funds/(deficit)

	2004 £	2003 £
Profit/(loss) for the year/period	237,478	(129,319)
Issue of ordinary shares	<u>-</u>	<u>1</u>
Net increase/(decrease) in shareholders' funds/(deficit)	237,478	(129,318)
Opening shareholders' deficit	<u>(129,318)</u>	<u>-</u>
Closing shareholders' funds	<u>108,160</u>	<u>(129,318)</u>

11. Related party transactions

During the year the company purchased £2,447,221 (2003: £2,029,915) from intragroup companies at normal trade prices.

At the financial year end £663,900 (2003: £1,659,580) was due to intragroup companies. These amounts are included within creditors due within one year.

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Notes to the financial statements

Year ended 31 December 2004

12. Ultimate parent company

The immediate parent company of VSFusion Limited is VSFusion LLC, a company incorporated in the United States of America. The directors consider the ultimate parent company to be Baker Hughes Inc, a company incorporated in the United States of America. Copies of the published accounts of the parent company may be requested from the Company Secretary at Watson House, 54 Baker Street, London, W1U 7WH.