

**Company Registration No. 4650374**

***MAGNITUDE MICROSEISMIC  
LIMITED***

**Annual Report and Financial Statements**

**Year ended 31 December 2014**

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# **MAGNITUDE MICROSEISMIC LIMITED**

## **Annual report and financial statements 2014**

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# **MAGNITUDE MICROSEISMIC LIMITED**

## **Annual report and financial statements 2014**

### **Officers and professional advisers**

#### **Directors**

R I Thornton  
H C Simpson

#### **Secretary**

J Klassen

#### **Registered Office**

3rd floor, Building 5  
Chiswick Park  
566 Chiswick High Road  
London  
W4 5YF

#### **Bankers**

Citibank NA  
London

JP Morgan Chase Bank  
London

#### **Independent Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Aberdeen  
United Kingdom

# MAGNITUDE MICROSEISMIC LIMITED

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2014.

The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption, including the exemption from presenting a Strategic Report.

### Principal activity

The company ceased trading in April 2014. Prior to cessation of trade, the principal activity of the company was the provision of borehole seismic services.

### Directors

The present membership of the board is set out on page 1.

The directors of the company who held office throughout the year and at the date of this report were as follows:

R I Thornton

H C Simpson

P Stokes resigned as Company Secretary on 1 July 2014, on which date J Klassen was appointed.

### Dividends

The directors do not recommend payment of a dividend (2013: £nil).

### Going concern

The financial statements are prepared on a basis other than that of a going concern. The financial statements do not include any provision for future costs of winding up the company except where such costs were committed at 31 December 2014. No material adjustments arose as a result of ceasing to apply the going concern basis of preparation.

### Auditor information

Each of the persons who is a director at the date of approval of this report confirms that:

- (1) so far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware; and
- (2) the directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

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



H C Simpson  
Director

15<sup>th</sup> June 2015

# **MAGNITUDE MICROSEISMIC LIMITED**

## **Directors' responsibilities statement**

The directors are responsible for preparing the Annual 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 accounting estimates that are reasonable and prudent; 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 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.

## **Independent auditor's report to the members of MAGNITUDE MICROSEISMIC LIMITED**

We have audited the financial statements of Magnitude Microseismic Limited for the year ended 31 December 2014 which comprise the profit and loss account, the balance sheet and the related notes 1 to 12. 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 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 auditor**

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 annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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.

### **Emphasis of matter – Financial statements prepared other than on a going concern basis**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

### **Opinion on other matter prescribed by the Companies Act 2006**

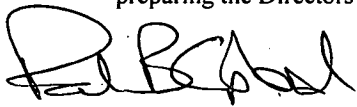
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Independent auditor's report to the members of MAGNITUDE MICROSEISMIC LIMITED (continued)**

### **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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption from preparing a Strategic Report or in preparing the Directors' Report



Paul Brian Copland (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Aberdeen, United Kingdom  
15 June 2015

# MAGNITUDE MICROSEISMIC LIMITED

## Profit and loss account

For the year ended 31 December 2014

	Note	2014 £	2013 £
<b>Turnover</b>	2	462,402	1,204,120
Cost of sales		<u>(273,324)</u>	<u>(1,134,188)</u>
<b>Gross profit</b>		189,078	69,932
Administrative expenses		<u>(277,969)</u>	<u>(415,251)</u>
<b>Loss on ordinary activities before taxation</b>	3	(88,891)	(345,319)
Tax on loss on ordinary activities	4	<u>(11,680)</u>	<u>(245,673)</u>
<b>Loss for the financial year</b>	8, 9	<u><u>(100,571)</u></u>	<u><u>(590,992)</u></u>

The company ceased trading in April 2014. All activities relate to discontinuing operations as the company is no longer trading.

There were no recognised gains or losses for current or prior year other than those recognised in the profit and loss account. Accordingly a statement of total recognised gains and losses is not presented.



# MAGNITUDE MICROSEISMIC LIMITED

## Balance sheet As at 31 December 2014

	Note	2014 £	2013 £
<b>Current assets</b>			
Debtors	5	3,128,153	1,244,334
Cash at bank and in hand		100,078	2,404,755
		<u>3,228,231</u>	<u>3,649,089</u>
<b>Creditors: amounts falling due within one year</b>	6	<u>(1,080,964)</u>	<u>(1,401,251)</u>
<b>Net assets</b>		<u>2,147,267</u>	<u>2,247,838</u>
<b>Capital and reserves</b>			
Called up share capital	7	1	1
Profit and loss account	8	<u>2,147,266</u>	<u>2,247,837</u>
<b>Shareholder's funds</b>	9	<u>2,147,267</u>	<u>2,247,838</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

These financial statements of Magnitude Microseismic Limited, company number 4650374, were approved by the Board of Directors on 15<sup>th</sup> June 2015.

Signed on behalf of the Board of Directors



H C Simpson  
Director

# MAGNITUDE MICROSEISMIC LIMITED

## Notes to the financial statements

### For the year ended 31 December 2014

#### 1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding year.

##### **Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

##### **Going concern**

In April 2014, the company ceased trading. As required by FRS 18 "Accounting policies" the directors have prepared the financial statements on a basis other than that of a going concern. The financial statements do not include any provision for future costs of winding up the company except where such costs were committed at 31 December 2014. No material adjustments arose as a result of ceasing to apply the going concern basis of preparation.

##### **Cash flow statement**

The company has taken advantage of exemptions within FRS 1 "Cash Flow Statements (revised) 1996" and has not prepared a cash flow statement on the grounds that it qualifies as a small company.

##### **Turnover**

Turnover represents the value of services rendered within the company's principal activity, after deduction of discounts and taxes. Revenue is recognised when it is earned. Revenue is earned when the service has been rendered.

##### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account within operating profit.

##### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, 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.

# MAGNITUDE MICROSEISMIC LIMITED

## Notes to the financial statements (continued) For the year ended 31 December 2014

### 2. Turnover

Turnover represents the value of 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 interests of the company.

### 3. Loss on ordinary activities before taxation

	2014 £	2013 £
Loss on ordinary activities before taxation is stated after (crediting)/charging:		
Fees payable to the company's auditor for the audit of the company's annual financial statements	13,585	13,490
Foreign exchange (gain)/ loss	(124,540)	58,870
	<u>110,955</u>	<u>72,360</u>

During the year, the company was recharged by another group company £18,562 (2013: £79,812) relating to the operating lease of land and buildings.

The directors did not receive emoluments from the company during the year (2013:nil). The employee contracts and associated costs are held by a fellow subsidiary company, and are recharged to the company. The total amount of employee costs recharged during the year was £264,339 (2013: £682,601), of which £49,450 (2013: £108,614) relates to directors' fees recharged.

### 4. Tax on loss on ordinary activities

The tax charge comprises:

	2014 £	2013 £
<b>Current taxation</b>		
Adjustment in respect of prior years	-	3,016
	<u>-</u>	<u>3,016</u>
<b>Foreign tax</b>		
Foreign tax for current year	11,680	242,657
	<u>11,680</u>	<u>242,657</u>
Total current taxation	<u>11,680</u>	<u>245,673</u>

# MAGNITUDE MICROSEISMIC LIMITED

## Notes to the financial statements (continued) For the year ended 31 December 2014

### 4. Tax on loss on ordinary activities (continued)

The tax assessed for the year differs from the average standard rate of corporation tax in the UK of 21.5% (2013: 23.25%) for the reasons set out in the following reconciliation:

	2014 £	2013 £
Loss on ordinary activities before taxation	(88,891)	(345,319)
Tax on loss on ordinary activities at standard rate 21.5% (2013: 23.25%)	(19,112)	(80,287)
<b>Factors affecting charge for the year:</b>		
Expenses not deductible for tax purposes	79	(4,573)
Tax impact of capital allowances and depreciation	24	2,062
Overseas tax	11,680	208,219
Adjustment in respect of prior years	-	(3,016)
Losses carried forward	19,009	117,236
Current tax charge for the year	11,680	245,673

A potential deferred tax asset amounting to £122,862 (2013: £105,161) arises as a result of tax losses. The directors do not anticipate that these tax benefits can be utilised in the near future and on this basis an asset has not been recognised.

The Finance Act 2013 announced reductions in the corporation tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015. The tax law was substantively enacted in the House of Commons on 2 July 2013. Deferred tax as at 31 December 2014 has been calculated at 20%.

### 5. Debtors

	2014 £	2013 £
Trade debtors	-	9,060
Amounts due from related parties	3,015,260	1,230,213
VAT	112,893	-
Other debtors	-	5,061
	3,128,153	1,244,334

# MAGNITUDE MICROSEISMIC LIMITED

## Notes to the financial statements (continued) For the year ended 31 December 2014

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

	2014 £	2013 £
Amounts due to related parties	1,064,682	1,386,377
Accruals	16,282	14,874
	<u>1,080,964</u>	<u>1,401,251</u>

### 7. Called up share capital

	2014 £	2013 £
Allotted, called up and fully paid: 1 ordinary share of £1	<u>1</u>	<u>1</u>

### 8. Profit and loss account

	£
At 1 January 2014	2,247,837
Loss for the financial year	<u>(100,571)</u>
At 31 December 2014	<u>2,147,266</u>

### 9. Reconciliation of movement in shareholder's funds

	2014 £	2013 £
Loss for the financial year	<u>(100,571)</u>	<u>(590,922)</u>
Net movement in shareholder's funds	(100,571)	(590,992)
Opening shareholder's funds	<u>2,247,838</u>	<u>2,838,830</u>
Closing shareholder's funds	<u>2,147,267</u>	<u>2,247,838</u>

# MAGNITUDE MICROSEISMIC LIMITED

## Notes to the financial statements (continued) For the year ended 31 December 2014

### 10. Related party transactions

Baker Hughes Oilfield Operations Inc. owns 51% of the issued capital of Magnitude Microseismic LLC, the immediate parent company of Magnitude Microseismic Limited (formerly VSFusion Limited). Baker Hughes Oilfield Operations Inc. is ultimate owned by Baker Hughes Inc. During the year, sales were made by the company to subsidiaries of Baker Hughes Inc., relating to borehole seismic processing services of £462,402 (2013: £1,188,194). Expenses were recharged from these subsidiaries relating to personnel costs, building lease costs, and other operating costs of £530,598 (2013: £1,504,899). Details of sales to and expenses from these subsidiaries are summarised below.

Amounts due from and to these subsidiaries at the balance sheet date are disclosed in notes 5 and 6.

	Revenue		Costs	
	2014 £	2013 £	2014 £	2013 £
Baker Hughes Limited	168,300	315,245	372,644	996,210
Baker Hughes Norge A/S	101,713	317,329	-	-
Atlas Wireline Limited	(329)	230,482	-	-
Baker Hughes EHO Ltd. (Uganda)	(340)	234,522	54,326	-
Baker Hughes EHO Ltd. (Bahrain)	-	-	134,676	508,689
Western Atlas International, Inc. (Oman)	-	22,544	-	-
Western Atlas International, Inc. (Kuwait)	57,904	46,526	-	-
Baker Eastern, S.A.	(8,135)	-	23,805	-
Baker Hughes Service International Inc.	13,419	-	15,457	-
Baker Hughes Argentina S.R.L.	17,397	-	-	-
Baker Hughes EHO Ltd. (Bermuda)	25,256	-	-	-
Baker Hughes EHO Ltd. (Mozambique)	20,254	-	-	-
Other	66,963	21,546	(70,310)	65,061
	<u>462,402</u>	<u>1,188,194</u>	<u>530,598</u>	<u>1,504,899</u>

### 11. Immediate and ultimate parent companies

The immediate parent company Magnitude Microseismic Limited (formerly VSFusion Limited) is Magnitude Microseismic LLC, a company incorporated in the United States of America. The directors consider the ultimate parent company and controlling party to be Baker Hughes Inc., a company incorporated in the United States of America. Copies of the published financial statements of the ultimate parent company may be requested from the Company Secretary at 3<sup>rd</sup> floor, Building 5, Chiswick Park, 566 Chiswick High Road, London, W4 5YF.

The company which heads the smallest and largest group of undertakings for which group financial statements are drawn up is Baker Hughes Inc.

### 12. Post balance sheet event

On 1 April, 2015, Baker Hughes Oilfield Operation Inc. purchased the interest in Magnitude Microseismic LLC, the immediate parent company that had previously been owned by CGGVeritas Services. Baker Hughes Oilfield Operations now own 100% of Magnitude Microseismic LLC, as a result the company is a 100% subsidiary of Baker Hughes Oilfield Operations.