

Company Registration No. 4650374

VSFUSION LIMITED

**(formerly QGV2 Limited, GV2 Limited
and BH02 Limited)**

Report and Financial Statements

Period from 28 January to

31 December 2003



VSFUSION LIMITED
(formerly QGV2 Limited, GV2 Limited and BH02 Limited)

Report and financial statements 2003

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VSFUSION LIMITED

(formerly QGV2 Limited, GV2 Limited and BH02 Limited)

Report and financial statements 2003

Officers and professional advisers

Directors

S D Bishop
L A Morrison

Secretary

D K C Wright

Registered Office

Watson House
54 Baker Street
London
W1H 7WH

Auditors

Deloitte & Touche LLP
Chartered Accountants & Registered Auditors
Aberdeen

VSFUSION LIMITED
(formerly QGV2 Limited, GV2 Limited and BH02 Limited)

Directors' report

The directors present their annual report and the audited financial statements for the period ended 31 December 2003.

The company was incorporated as BH02 Limited on 28 January 2003. On 6 February 2003 a special resolution was passed and the company changed its name to GV2 Limited. On 18 March the name was changed to QGV2 Limited and on 24 April 2003 the name was changed to VSFusion Limited.

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

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 given the initial investment in the first year of trading. The directors are pleased with the development of the company and are confident of the future prospects.

The loss after tax for the period amounted to £129,319 and the directors recommend that the retained loss is transferred against reserves.

Directors and their interests

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

P J Woolley (appointed 28 January 2003 and resigned 8 May 2003)

G Sinclair (appointed 28 January 2003 and resigned 8 May 2003)

R M Limb (appointed 8 May 2003 and resigned 22 December 2003)

S D Bishop (appointed 19 May 2003)

Instant Companies Limited were appointed as the initial director on incorporation and resigned 8 May 2003.

On 8 January 2004 L A Morrison was appointed as director.

None of the directors hold interests in the shares of the company.

Swift Incorporations Limited were appointed as first Secretary of the company and resigned on 28 January 2003 on which date D K C Wright was appointed.

Auditors

Deloitte & Touche LLP were appointed first auditors to the company, and have expressed their willingness to continue in office as auditors. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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

L. Morrison 28/10/2004

Director

L A MORRISON

VSFUSION LIMITED

(formerly QGV2 Limited, GV2 Limited and BH02 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; 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 (formerly QGV2 Limited, GV2
Limited and BH02 Limited)**

We have audited the financial statements of VSFusion Limited (formerly QGV2 Limited, GV2 Limited and BH02 Limited) for the period from incorporation to 31 December 2003 which comprise the profit and loss account, the balance sheet and the related notes 1 to 11. 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.

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 2003 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Aberdeen

29 October 2004

VSFUSION LIMITED**(formerly QGV2 Limited, GV2 Limited and BH02 Limited)****Profit and loss account****Period ended 31 December 2003**

	Note	Period from incorporation to 31 December 2003 £
Turnover: continuing operations	2	1,854,596
Cost of sales		(1,366,136)
Gross profit		488,460
Administrative expenses		(663,779)
Loss on ordinary activities before tax	3	(175,319)
Tax on loss on ordinary activities	4	46,000
Retained loss for the financial period	8	(129,319)

There have been no recognised gains and losses attributable to the shareholders other than the loss for the current period and accordingly, no statement of total recognised gains and losses is shown.

As this is the first period since incorporation, there are no comparative figures.

VSFUSION LIMITED
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Balance sheet
31 December 2003

	Note	2003 £
Current assets		
Debtors	5	1,530,262
		<u>1,530,262</u>
Creditors: amounts falling due within one year	6	(1,659,580)
Net liabilities		<u>(129,318)</u>
Capital and reserves		
Called up share capital	7	1
Profit and loss account	8	(129,319)
Total equity shareholders' deficit	9	<u>(129,318)</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

R Morrison 28/10/2004

Director

L A MORRISON

VSFUSION LIMITED
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Notes to the accounts
Period ended 31 December 2003

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

The company has taken advantage of exemptions within FRS1 and has not prepared a cash flow statement on the grounds that the company is a wholly owned subsidiary of a parent undertaking which produces consolidated financial statements involving a consolidated cash flow statement dealing with the cash flow of the group.

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.

2. 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
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Notes to the accounts
Period ended 31 December 2003

3. Loss on ordinary activities before taxation

**Period from
incorporation
to 31
December
2003
£**

Profit on ordinary activities before
taxation after charging:

Auditors' remuneration	10,000
Foreign exchange loss	14,149

During the period the company was recharged £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 period. The employee contracts and associated costs are held by a fellow subsidiary company.

4. Tax on loss on ordinary activities

**Period from
incorporation
to 31
December
2003
£**

Current taxation

Corporate tax at standard rate

Deferred taxation

Timing differences, organisation and reversal

Tax on loss on ordinary activities

46,000

46,000

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

**2003
£**

Loss on ordinary activities before tax	(175,319)
Tax on loss on ordinary activities at standard rate	52,596

Factors affecting charge for the period:

Expenses not deductible for tax purposes

(6,596)

46,000

VSFUSION LIMITED
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Notes to the accounts
Period ended 31 December 2003

5. Debtors

	2003
	£
Amounts due from related parties (note 10)	1,363,845
Other debtors	120,417
Deferred tax asset (note 4)	46,000
	<u>1,530,262</u>

Deferred tax asset

A deferred tax asset of £46,000 has been recognised at 31 December 2003. This asset, which relates to trading losses incurred from the period of incorporation to 31 December 2003, 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.

6. Creditors: amounts falling due within one year

	2003
	£
Amounts due to related parties (note 10)	<u>1,659,580</u>

7. Called up share capital

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

On 28 January 2003, 1 ordinary share of £1 was issued at par to facilitate the set up of VSfusion Limited

8. Profit and loss account

	2003
	£
Retained loss for the period	<u>(129,319)</u>
At 31 December 2003	<u>(129,319)</u>

VSFUSION LIMITED
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Notes to the accounts
Period ended 31 December 2003

9. Reconciliation of movement in shareholders' deficit

	2003
	£
Loss for the period	(129,319)
Issue of ordinary shares	1
	<hr/>
Closing shareholders' deficit	<u>(129,318)</u>

10. Related party transactions

During the period the company sold £1,854,596 to and purchased £2,029,915 from associated companies at normal trade prices.

At the financial year end £1,659,580 was due to and £1,363,845 was due from associated companies. These amounts are included within creditors due within one year and debtors respectively.

11. 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, W1V 7WH.