

Schlumberger Evaluation And Production Services (UK) Limited

Registered Number 548680

Directors' Report And Financial Statements

Year Ended 31 December 2005



Schlumberger Evaluation and Production Services (UK) Limited

Report Of The Directors For The Year Ended 31 December 2005

The directors present their annual report together with the audited financial statements of Schlumberger Evaluation and Production Services (UK) Limited, "the Company", for the year ended 31 December 2005.

Principal activity

The Company's principal activity during the year was that of a holding company.

Review of the business

Effective 12 May 2005, the Company converted a portion of its loan to Diamould Limited into ordinary shares in Diamould Limited. Note 19 contains further details on this transaction.

Results and dividends

The profit for the year was £35,000 (2004 - Loss £3,048,000), amounts transferred from reserves and the financial position of the Company are shown in the annexed financial statements.

Dividends totalling £30,767,000 were paid during the year (2004: £nil).

Directors

The following were directors of the Company during the year:

A Goldby

N Ray

A Goligher (resigned 6 January 2005)

M Mannering (resigned 6 January 2005)

No director had an interest in the shares of the Company or any other group company such as requires notification to the Company under Section 324 of the Companies Act 1985.

Political contributions and charitable donations

No political contributions were made during the year (2004: £nil). Charitable donations amounting to £nil (2004: £114,870) were made during the year.

Schlumberger Evaluation and Production Services (UK) Limited

Report Of The Directors For The Year Ended 31 December 2005 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the annual report including, as described below, the financial statements.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year 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, 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 confirm that they have complied with the above requirements in preparing the financial statements.

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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the Company will be proposed at the Annual General Meeting.

By order of the Board



N Ray
Director

19 October 2006

Independent auditor's report to the members of Schlumberger Evaluation and Production Services (UK) Limited

We have audited the financial statements of Schlumberger Evaluation and Production Services (UK) Limited for the year ended 31 December 2005 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.

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 law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 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 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.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London

24 October 2006

Schlumberger Evaluation and Production Services (UK) Limited

Profit and loss account for the year ended 31 December 2005

	Note	2005 £'000	2004 £'000
Turnover	2	-	161,186
Cost of sales		-	(134,570)
Gross profit		-	26,616
Other operating expenses (2004 - including exceptional operating expenses £8,995,000)	4	-	(26,303)
Operating profit from discontinued operations	4	-	313
Profit on disposal of fixed assets		-	197
Profit on ordinary activities before interest		-	510
Interest receivable	5	50	570
Interest payable	6	-	(7,974)
Income from fixed asset investments		-	5,352
Profit / (loss) on ordinary activities before taxation	7	50	(1,542)
Tax on loss on ordinary activities	9	(15)	(1,506)
Profit / (loss) on ordinary activities after taxation	15	35	(3,048)
Dividends payable	15	(30,767)	-
Retained loss for the year		(30,732)	(3,048)

The notes on pages 6 to 15 form part of these financial statements.

The Company has no recognised gains and losses other than the loss above and therefore no separate statement of total recognised gains and losses has been presented.

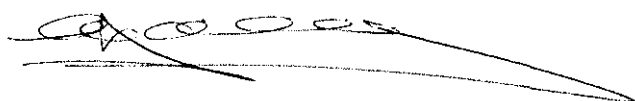
Schlumberger Evaluation and Production Services (UK) Limited

Balance sheet as at 31 December 2005

	Note	2005 £'000	2004 £'000
Fixed assets			
Investments	10	19,603	2,391
Current assets			
Debtors	11	43,510	78,866
Creditors: amounts falling due within one year	12	(56,657)	(44,069)
Net current (liabilities)/assets		(13,147)	34,797
Net assets		6,456	37,188
Capital and reserves			
Called up share capital	13	6,418	6,418
Share premium account	14	3	3
Profit and loss account	15	35	30,767
Equity shareholders' funds	16	6,456	37,188

The notes on pages 6 to 15 form part of these financial statements.

The financial statements on pages 3 to 15 were approved by the board of directors on 19 October 2006 and were signed on its behalf by:



A Goldby
Director

Schlumberger Evaluation and Production Services (UK) Limited

Notes to the financial statements at 31 December 2005 (continued)

1 Accounting policies

Basis of accounting

The Company is exempt from preparing and delivering group financial statements under section 228 of the Companies Act 1985, as the company is a wholly owned subsidiary undertaking of another undertaking registered in England and Wales.

The directors have received written confirmation from the parent undertaking Schlumberger plc that it intends to provide financial support to the Company as is necessary, for the foreseeable future and at least for the next 12 months to enable it to continue without any significant curtailment and to meet its liabilities as they fall due. Accordingly they consider it appropriate to prepare these financial statements on a going concern basis.

Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the UK.

Changes in accounting standards

The company has adopted FRS 21, "Events after the balance sheet date" and the presentation component of FRS 25, "Financial Instruments: Disclosure and Presentation". The adoption of each of these standards represents a change in accounting policy with no impact on comparative figures.

Turnover

Turnover represents the sales value of goods and services supplied to external customers and affiliated companies, excluding value added tax.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Fixed assets

Investments in subsidiary undertakings are valued at cost, less any provisions for impairment.

Taxation including deferred taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet dates where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred. 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 deferred tax asset is regarded as recoverable and therefore recognised only when, 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 difference can be deducted. Deferred tax is measured on a non-discounted basis.

Schlumberger Evaluation and Production Services (UK) Limited

Notes to the financial statements at 31 December 2005 (continued)

1 Accounting policies (continued)

Pensions

The charge against profits is the amount of defined contributions payable to the pension scheme in respect of the accounting period.

The Schlumberger plc group scheme is run on a basis that does not enable individual companies within the group to identify their share of the underlying net assets and liabilities. As permitted by FRS 17, the Company will account for the scheme as a defined contribution scheme.

Foreign currencies

Profit and loss account transactions in foreign currencies are translated into sterling at the exchange rate in operation on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates in operation at the balance sheet date. All revaluation differences and realised foreign exchange differences are taken to the profit and loss account.

Related party disclosures

Transactions with other companies within the Group are not disclosed as the Company has taken advantage of the exemption available under Financial Reporting Standard 8 (FRS 8) "Related Party Disclosures" paragraph 3(c).

Cash flow statement

The Group has taken advantage of the exemptions available to wholly owned UK subsidiaries under Financial Reporting Standard No. 1 (Revised 1996) "Cash Flow Statements" and accordingly has not prepared a cash flow statement.

2 Turnover

The analysis of the destination of sales by geographical area is as follows:

	2005	2004
	£'000	£'000
United Kingdom	-	91,014
Americas	-	32,345
Rest of Europe	-	25,161
Africa/Asia/Australia	-	12,666
	-	161,186

In the opinion of the directors there is only one class of business.

The Directors believe that disclosure of further segmental information would be prejudicial to the interests of the Company.

Schlumberger Evaluation and Production Services (UK) Limited

Notes to the financial statements at 31 December 2005 (continued)

3 Staff numbers and costs

The average number of persons employed by the Company during the year was as follows:

	2005	2004
Direct labour	-	631
Selling, marketing and distribution	-	150
Administration	-	304
	-	1,085

The aggregate payroll costs were as follows:

	2005 £'000	2004 £'000
Wages and salaries	-	54,206
Social security costs	-	5,056
Pension costs (note 17)	-	7,447
	-	66,709

4 Analysis of operating profit / (loss)

	2005 £'000	2004 £'000
Turnover	-	161,186
Cost of sales	-	(134,570)
Gross profit	-	26,616
<i>Other operating expenses</i>		
Total administrative expenses	-	(14,918)
Selling, marketing and distribution costs	-	(2,390)
Operating profit / (loss) before exceptional operating costs	-	9,308
<i>Exceptional operating expenses</i>		
Provisions recognised on loans to subsidiary undertakings	-	(3,747)
Provisions recognised on investments	-	(5,439)
Receipt of escrow funds in relation to investment in Phoenix Petroleum Services Limited.	-	191
Total exceptional operating costs	-	(8,995)
Operating profit / (loss)	-	313

Schlumberger Evaluation and Production Services (UK) Limited

Notes to the financial statements at 31 December 2005 (continued)

5 Interest receivable

	2005	2004
	£'000	£'000
Interest on bank balances and short term investments	-	46
Interest income on loans to associated companies	50	524
	50	570

6 Interest payable

	2005	2004
	£'000	£'000
Interest on bank overdrafts and loans repayable within 5 years	-	25
Interest payable on long term loan to immediate parent undertaking	-	7,883
Interest on loan notes	-	66
	-	7,974

Schlumberger Evaluation and Production Services (UK) Limited

Notes to the financial statements at 31 December 2005 (continued)

7 Profit / (loss) on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2005	2004
	£'000	£'000
Depreciation		
- tangible fixed assets owned	-	5,598
- tangible fixed assets held under finance lease	-	25
Amortisation of goodwill	-	979
Auditors' remuneration:		
- audit	-	51
Operating lease rentals:		
- land and buildings	-	2,698
- other	-	172
Foreign exchange losses	-	1,661

Auditor's remuneration is borne by fellow wholly owned subsidiaries of Schlumberger Plc.

8 Directors' emoluments

None of the four directors in office during 2005 (2004: three) were remunerated by the Company for their services as directors.

The total emoluments of the directors, excluding pension contributions, amounted to £nil (2004: £519,026). The emoluments of the highest paid director, excluding pension contributions, amounted to £nil (2004: £251,086).

Both of the directors remunerated by the Company for their services as Directors, are members of the UK Pension scheme, which includes a defined benefit and a defined contribution scheme.

The total pension contributions in respect of the directors amounted to £nil (2004: £66,806). The pension contributions of the highest paid director amounted to £nil (2004: £54,860).

Schlumberger Evaluation and Production Services (UK) Limited

Notes to the financial statements at 31 December 2005 (continued)

9 Taxation on loss on ordinary activities

The taxation charge / (credit) based on the loss for the year as adjusted for taxation purposes may be analysed as follows:

	2005 £'000	2004 £'000
Current year		
Corporation tax at 30% (2004: 30%)	15	2,529
Adjustment in respect of previous periods	-	260
	15	2,789
Deferred tax		
Current year	-	(764)
Adjustment in respect of previous periods	-	(519)
	-	1,506

The current tax assessed for the year is higher than the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are explained below:

	2005 £'000	2004 £'000
Profit / (loss) on ordinary activities before tax	50	(1,542)
Tax charge / (credit) at standard rate of 30% (2004: 30%)	15	(463)
Effects of:		
Goodwill amortisation	-	293
Capital transactions	-	1,108
Dividends received	-	(1,605)
Other non deductible expense	-	241
Timing differences	-	2,955
Adjustment in respect of previous periods	-	260
Current tax charge for the year	15	2,789

Schlumberger Evaluation and Production Services (UK) Limited

Notes to the financial statements at 31 December 2005 (continued)

10 Investments

Investments in subsidiary and associated undertakings	Subsidiaries	Joint Ventures & Associates	Total
	£'000	£'000	£'000
Cost			
At 1 January 2005	-	3,096	3,096
Reclassification of Diamould Limited	3,095	(3,095)	-
Further acquisition of Diamould Limited (see below)	17,212	-	-
At 31 December 2005	20,307	1	20,308
Amounts provided			
At 1 January 2005	-	(705)	(705)
Reclassification of Diamould Limited	(705)	705	-
At 31 December 2005	(705)	-	(705)
Net book amount at 31 December 2005	19,602	1	19,603
Net book amount at 31 December 2004	-	2,391	2,391

In the opinion of the directors the value of the Company's investments in its subsidiaries and associated undertakings is not less than the amount at which they are stated in the balance sheet.

Investment in Subsidiary Undertakings

Effective 12 May 2005 the Company purchased the remaining shares in Diamould Limited, a company incorporated in England, to increase its shareholding from 20.12% to 100%. Diamould Limited is a provider of integrated engineering solutions to the oil and gas industry. In addition, at 31 December 2005, the Company owned all of the share capital of the following companies, the financial statements of which have not been consolidated as explained in Note 1, Basis of accounting:

	Country of registration	Nature of business
Baker Jardine Mexican Inc	Mexico	Non Trading
Network of Excellence in Training Ltd	England and Wales	Provision of training services

Interests in Joint Ventures

Syntheseas Limited is incorporated in England and Wales and is a joint venture between the Company and ABB Offshore Systems Limited. The Company owns 50% of the issued share capital. Syntheseas provides project management services in subsea oil and gas development. Schlumberger Evaluation & Production Services has commenced proceedings to wind up the joint venture, following the cessation of trade by the joint venture's outstanding creditor.

Schlumberger Evaluation and Production Services (UK) Limited

Notes to the financial statements at 31 December 2005 (continued)

11 Debtors

	2005	2004
	£'000	£'000
Amounts falling due within one year:		
Amounts owed by parent and fellow subsidiary undertakings	43,510	78,866

Balances owed by parent and fellow subsidiary undertakings are unsecured, interest free and payable on demand

12 Creditors

	2005	2004
	£'000	£'000
Amounts falling due within one year:		
Amounts owed to parent and fellow subsidiary undertakings	53,313	43,368
Taxation and social security	15	-
Accruals and deferred income	-	5
Other creditors	3,329	4
Loan notes at LIBOR less 0.05%	-	692
	56,657	44,069

Balances owed to parent and fellow subsidiary undertakings are unsecured, interest free and payable on demand

13 Called up share capital

	2005	2004
	£'000	£'000
Authorised ordinary shares of £1 each	15,000	15,000
Allotted and fully paid ordinary shares of £1 each at 31 December (number of shares 6,418,000 (2004: 6,418,000))	6,418	6,418

Schlumberger Evaluation and Production Services (UK) Limited

Notes to the financial statements at 31 December 2005 (continued)

14 Share premium

	2005	2004
	£'000	£'000
Balance at 31 December	3	3

15 Profit and loss account

	2005
	£'000
The movements during the year were as follows:	
At 1 January	30,767
Profit for the year	35
Dividends paid	(30,767)
At 31 December	35

During the year the Company paid a final dividend during the year of £4.79 per ordinary share totalling £30,767,000 (2004: £Nil).

16 Reconciliation of movements in shareholder's funds

	2005	2004
	£'000	£'000
Opening shareholders' funds	37,188	40,236
Profit / (loss) for the financial year	35	(3,048)
Dividends paid	(30,767)	-
Closing shareholders' funds	6,456	37,188

The Company paid a dividend during the year of £4.79 (2004: £nil) per ordinary share issued, giving a total dividend paid of £30,767,000 (2004: £nil)

Schlumberger Evaluation and Production Services (UK) Limited

Notes to the financial statements at 31 December 2005 (continued)

17 Pension costs

The Company participates in a Group pension scheme that provides retirement benefits on both a defined benefit (FSB) and defined contribution (DC) basis. In the FSB section, members accrue both types of benefit while members in the DC section accrue only defined contribution benefits. The FSB section has been closed since April 1999 and new member are admitted to the DC section. The contributions are determined by a qualified actuary on the basis of valuations using the projected unit method.

Particulars of the Group pension scheme are contained in the financial statements of Schlumberger plc. The pension charge for the Company for the year was £nil (2004: £7,447,000).

18 Ultimate parent company

Schlumberger plc, a company registered in England, is the parent undertaking of the smallest group of undertakings of which Schlumberger Evaluation and Production Services (UK) Limited is a member and for which Group financial statements are drawn up.

Schlumberger Limited, a company incorporated in the Netherlands Antilles, is the ultimate parent company.

Copies of the financial statements of Schlumberger plc can be obtained from 10 Duchess Street, London, W1G 9AB and Schlumberger Limited from 153 East 53rd Street, New York, NY 10022-4624 USA.

19 Related party transactions

The fellow subsidiary undertaking WesternGeco Limited ceased to be exempt under paragraph 3c of FRS8 (Related Party Disclosures) effective 1 December 2000 when 30% of its shareholding was acquired by Baker Hughes UK Limited. For the year ended 31 December 2005 Schlumberger Evaluation and Production Services (UK) Limited paid £nil, on normal commercial terms, for data processing, storage, copying and office rental charges (2004: £2.5 million).

Effective 12 May 2005, the Company converted £1,542,165 of its loan to Diamould Limited into 1,298 ordinary shares in Diamould Limited.