

WesternGeco Limited

Registered number: 1389716

Annual report and financial statements For the year ended 31 December 2019

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WesternGeco Limited

Strategic report for the year ended 31 December 2019

The directors present their Strategic report on the Company for the year ended 31 December 2019.

Principal activities

The Company's principal activities were the acquisition, processing and interpretation of seismic data and the provision of administrative support services for both third parties and fellow Schlumberger Limited group companies.

Review of the business

Turnover decreased to £36,996,000 (2018: £43,651,000). The decrease in turnover was mainly due to a reduction in seismic data processing, land support and marine activities, the latter due to the sale of the business to Shearwater Limited in Q4 2018.

The results show a loss before tax of £1,370,000 (2018: £2,601,000). The decrease in loss is mainly due to the reduction of payroll costs of £21,979,000 (2018: £27,623,000) as a result of rightsizing of the Company's workforce following divestment of the Marine Business to Shearwater Limited. The continuous loss position for the current year and prior year as no rental income for sublease of property rental owned by Schlumberger Oilfield UK Plc due to transfer of sublease rights and no income from marine business since first quarter 2018.

The Company's net assets increased to £138,808,000 (2018: £138,221,000) as a result of the loss described above, partially offset by reserve movements due to accounting for share based payments.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks and uncertainties of the Schlumberger Limited worldwide group and are not managed separately. For an analysis of the principal risk factors affecting the Schlumberger Limited group, see item 1A, Risk Factors, in the 2019 Annual Report of Schlumberger Limited, copies of which can be obtained from www.slb.com.

Covid-19

As detailed in note 3, Accounting policies - Going concern and note 23, Events after the end of the reporting period, the effects of the COVID-19 (coronavirus) pandemic, including actions taken by businesses and governments, have resulted in a significant and swift reduction in economic activity. These effects have adversely affected the demand for oil and natural gas, as well as for the Schlumberger Limited group's services and products.

These effects have included, and may continue to include, adverse revenue and net income effects; disruptions to Schlumberger Limited group's operations; customer shutdown of oil and gas exploration and production; employee impacts from illness, school closures and other community response measures; and temporary closure of the Schlumberger Limited group's facilities or the facilities of the Schlumberger Limited group's customers and suppliers.

Key performance indicators ("KPIs")

Given the straightforward nature of the business, the Company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

This report was approved by the Board of Directors on 3 December 2020 and signed on its behalf by:

E O'Neill
Director
3 December 2020

DocuSigned by:
Emilie O'Neill
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WesternGeco Limited

Directors' report for the year ended 31 December 2019

The directors present their report together with the audited financial statements of WesternGeco Limited (the "Company") for the year ended 31 December 2019.

Principal activities, Review of the business, Principal risks and uncertainties and Key performance indicators

Details of these matters have been included in the Strategic report on page 1.

Directors

The directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows, unless otherwise stated:

P Davey (resigned on 30 September 2020)
J Branston (resigned on 21 September 2020)
G Lawson (appointed 11 June 2019)
E O'Neill (appointed 21 September 2020)
J Bristow (appointed 30 September 2020)

Qualifying third party indemnity provisions

During the year and up to the date of this report, the Company maintained liability insurance for its directors and officers. The Company also provides an indemnity for its directors, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Financial risk management

The Company's operations expose it to a variety of financial risks that include the following:

Foreign exchange risk

The Company is exposed to foreign exchange risk, primarily with respect to turnover in US dollars. The Company enters into various financial instruments such as foreign currency hedging to mitigate this risk.

Credit risk

The Company's principal financial assets are trade and other receivables. The Company's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identifiable loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. Credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by international credit ratings agencies.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company uses intercompany finance.

Capital risk

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company manages capital structure and makes adjustments to it in light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Dividends

The directors did not propose a dividend during the year nor do they recommend payment of a final dividend (2018: £nil).

WesternGeco Limited

Directors' report for the year ended 31 December 2019 (continued)

Research and development

The Company is committed under a contract research agreement for associated companies in the oilfield services industry, to devoting resources to research aimed at developing new products and processes. The amounts, expensed in costs of sales, in relation to these activities were £325,000 (2018: £289,000).

Policy for quality, health, safety and environment

It is the Company's policy to ensure that quality, health, safety and environmental considerations are top priority for management and employees. Prevention of accidental risk and loss from process failure is an integral part of the Company's continuous improvement culture.

Policy for employment of disabled persons

It is the Company's policy to give full and fair consideration to suitable applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Disabled employees are eligible to participate in all career development opportunities available to staff. Opportunities also exist for employees of the Company who become disabled to continue in their employment or to be trained for other positions in the Company.

Employee participation

Employees are regularly provided with information on matters of concern to them as employees of the Schlumberger Limited group. They are further encouraged to be involved in the Company's performance by being eligible to purchase stock of the ultimate parent company, Schlumberger Limited, at a discounted rate through a savings scheme.

Consultations with employees or their representatives has continued at all levels to ensure that their views are taken into account when decisions are made that are likely to affect their interests. The Company endeavours to achieve a common awareness amongst all employees in relation to the financial and economic factors that affect the performance of the Company.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements 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.

WesternGeco Limited

Directors' report for the year ended 31 December 2019 (continued)

Statement of directors' responsibilities in respect of the financial statements (continued)

The directors 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.

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.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they 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 auditors are aware of that information.

Future outlook

As detailed in note 3 Accounting policies - Going concern and note 23 Events after the end of reporting period, the effects of the COVID-19 (coronavirus) pandemic, including actions taken by businesses and governments, have resulted in a significant and swift reduction in economic activity.

The extent to which the Company's operating and financial results are affected by COVID-19 will depend on various factors and consequences beyond the Schlumberger Limited group's control, such as the duration and scope of the pandemic; additional actions by businesses and governments in response to the pandemic; and the speed and effectiveness of responses to combat the virus.

Looking forward, the Company sees a series of other factors that will likely define the oil market in the coming year. These include the impact of the latest OPEC and Russia production cuts in response to the COVID-19 pandemic and subsequent impact COVID-19 had on global oil demand, the expiration of the dispensations given to the Iran export sanctions, and the efforts being made to resolve global trade discussions. Based on these factors, the Company expects oil market sentiments to remain suppressed over the course of 2020, with a potential recovery in oil prices during 2021.

In the medium term, a market environment with continued robust economic growth will require a multiyear increase in international Exploration & Production investment. The Company is very well positioned to outgrow the market in the coming upcycle.

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the forthcoming Annual General Meeting.

This report was approved by the board on 3 December 2020 and signed on its behalf by:

DocuSigned by:

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E O'Neill
Director
3 December 2020

WesternGeco Limited

Independent Auditors' Report to the members of WesternGeco Limited

Report on the audit of the financial statements

Opinion

In our opinion, WesternGeco Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the profit and loss account, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

WesternGeco Limited

Independent Auditors' Report to the members of WesternGeco Limited (continued)

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Simon Bailey (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
4 December 2020

WesternGeco Limited

Profit and loss account For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	5	36,996	43,651
Cost of sales		(37,912)	(45,924)
Gross loss		(916)	(2,273)
Administrative expenses		(1,597)	(2,188)
Exceptional administrative expenses – Redundancy costs	6	(127)	(607)
Exceptional gain on disposal of business segment		-	1,677
Other operating income/(expense)	7	125	(143)
Operating loss	8	(2,515)	(3,534)
Interest receivable and similar income	9	1,669	1,342
Interest payable and similar expenses	10	(524)	(409)
Net interest income		1,145	933
Loss before taxation		(1,370)	(2,601)
Tax credit on loss	13	616	521
Loss for the financial year		(754)	(2,080)

All results for the year ended 31 December 2019 and 31 December 2018 are derived entirely from continuing operations.

The notes on pages 11 to 27 form part of these financial statements.

WesternGeco Limited

Balance sheet As at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible assets	14	601	879
Intangibles assets - Multiclient seismic data	15	2,023	3,698
		2,624	4,577
Current assets			
Debtors - amounts falling due within one year	16	170,300	167,489
Debtors - amounts falling due after more than one year	16	2,626	2,449
Cash and cash equivalents		5	4
		172,931	169,942
Creditors - amounts falling due within one year	17	(36,747)	(36,298)
Net current assets (excluding debtors amounts falling due after more than one year)		133,558	131,195
Debtors - amounts falling due after more than one year	16	2,626	2,449
Net current assets		136,184	133,644
Total assets less current liabilities		138,808	138,221
Net assets		138,808	138,221
Capital and reserves			
Called up share capital	18	77,046	77,046
Share premium account	11	119	119
Other reserves	11	26,999	25,658
Profit and loss account		34,644	35,398
Total shareholders' funds		138,808	138,221

The notes on pages 11 to 27 form part of these financial statements.

The financial statements on pages 8 to 27 were approved by the Board of Directors on 3 December 2020 and signed on its behalf by:

DocuSigned by:

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 G Lawson
 Director
 3 December 2020

WesternGeco Limited

Registered Number 1389716

WesternGeco Limited

Statement of changes in equity For the year ended 31 December 2019

	Note	Called up share capital (note 18) £'000	Share premium account £'000	Other reserves £'000	Profit and loss account £'000	Total shareholders' funds £'000
Balance as at 1 January 2018	18	77,046	119	23,919	37,478	138,562
Loss for the financial year and total comprehensive expense		-	-	-	(2,080)	(2,080)
Increase in share based payments reserve	11	-	-	1,739	-	1,739
Balance as at 31 December 2018		77,046	119	25,658	35,398	138,221
Balance as at 1 January 2019	18	77,046	119	25,658	35,398	138,221
Profit for the financial year and total comprehensive expense		-	-	-	(754)	(754)
Increase in share based payments reserve	11	-	-	1,341	-	1,341
Balance as at 31 December 2019		77,046	119	26,999	34,644	138,808

The notes on pages 11 to 27 form part of these financial statements.

WesternGeco Limited

Notes to the financial statements For the year ended 31 December 2019

1 General information

WesternGeco Limited's principal activities during the year were the acquisition, processing and interpretation of seismic data and the provision of administrative support services for both third parties and fellow Schlumberger Limited group companies.

WesternGeco Limited is privately owned and limited by shares. The Company is incorporated and domiciled in the United Kingdom. The address of its registered office is Schlumberger House, Buckingham Gate, Gatwick Airport, West Sussex, RH6 ONZ.

2 Statement of compliance

The financial statements of WesternGeco Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standards 102, "The Financial Reporting Standards applicable in the United Kingdom and Republic of Ireland" ("FRS 102") and the Companies Act 2006.

3 Accounting policies

The principal accounting policies applied in preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented. The Company has adopted FRS 102 in these financial statements.

Basis of preparation

These financial statements have been prepared on a going concern basis due to the Group's continued commitment to the business. They have been prepared under the historical cost convention in accordance with the Companies Act 2006 and applicable United Kingdom Accounting Standards.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are described in note 4.

Going concern

COVID-19 may adversely affect the Company's operating and financial results in a manner that is not currently fully known to the management of the Company. However, the directors do not currently consider COVID-19 to present significant risks to the Company's operations.

The directors therefore consider it appropriate to prepare the financial statement on a going concern basis as, despite the uncertainties deriving from the current economic environment, the company is in an overall net current asset position. The directors have a reasonable expectation that the company has adequate resources to enable it to continue meet its liabilities as they fall due for a period of at least 12 months from the date of these financial statements. As a result, the financial statements have been prepared under the going concern basis.

WesternGeco Limited

Notes to the financial statements For the year ended 31 December 2019

3 Accounting policies (continued)

Exemption for qualifying entities under FRS 102

In preparing the financial statements under FRS 102, the Company as a qualifying entity has taken advantage of certain permitted disclosure exemptions available, subject to certain conditions, which have been complied with, being the notification of, and no objection to the use of exemptions by the Company's shareholders.

The Company has taken advantage of the following exemptions:

- i) from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated financial statements of Schlumberger Limited, includes the Company's cash flow (FRS 102 paragraph 1.12(b));
- ii) from the financial instrument disclosures, required under FRS 102 as the information is provided in the consolidated financial statement of Schlumberger Limited (paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29). The group has chosen to adopt Section 11 and 12 of FRS 102 in respect of financial instruments;
- iii) from the related party transaction disclosures, required under FRS 102 as the information is provided in the consolidated financial statement of Schlumberger Limited (paragraph 33.1A); and
- iv) from the share-based payment disclosure, required under FRS 102. The disclosure exemptions are available under 1.12(e) FRS102 due to the equivalent disclosures having been given in the Schlumberger Limited financial statements as the share-based payment is being settled in the equity instruments of another group entity. The disclosure exemption applied to the following section 26 disclosures are:
 - Paragraph 26.18(b) of FRS 102 (the number and weighted average exercise prices of share options) for each of the following groups of options:
 - a) Outstanding at the beginning of the period.
 - b) Granted during the period.
 - c) Forfeited during the period.
 - d) Exercised during the period.
 - e) Expired during the period.
 - f) Outstanding at the end of the period.
 - g) Exercisable at the end of the period.
 - Paragraphs 26.19-26.21 (determination of fair values and information about modifications; and
 - Paragraph 26.23 (impact on profit or loss).

WesternGeco Limited

Notes to the financial statements For the year ended 31 December 2019

3 Accounting policies (continued)

Turnover

Turnover represents income receivable from services supplied to external customers and data processing, general and administrative support services and research and development provided to other affiliated companies, excluding value added tax and similar taxes. Turnover from all services are recognised when persuasive evidence of an arrangement exists, the price is fixed or determinable, the service has been delivered or milestones achieved and collectability is reasonably assured.

Turnover from contract services performed on a day-rate basis is recognised as the service is performed.

Turnover from other contract services, including prefunded multiclient surveys, is recognised as the seismic data is acquired and/or processed on a proportionate basis as work is performed. This method requires turnover to be recognised based upon quantifiable measures of progress, for example, square kilometres acquired. Data processing contracts are invoiced and recognised once the final product has been shipped.

For, longer-term contracts (where processing work extends beyond one month) which include terms to allow for monthly progress invoicing or turnover recognition, turnover is recognised based on a client approved progress report or using the percentage of completion method, provided that management can reasonably quantify the extent of completion percentage.

Turnover on completed multiclient data surveys is recognised on obtaining a signed licensing agreement and providing customs access to the data.

All losses are recognised as soon as incurred or foreseen.

Where an invoice has been raised at the outset for the total value of a contract that spans several months, then contract turnover will only be recognised on a pro-rated basis based on the number of months that the service has been delivered over the total number of months of the contract. The remaining contract turnover will be deferred until the appropriate time that it can be recognised.

Pensions and post-retirement benefits

The Company primarily participates in a Schlumberger UK Pension Scheme, providing retirement benefits on both a defined benefit and a defined contribution basis. Pension costs are assessed in accordance with the advice of qualified, independent actuaries.

As permitted by FRS 102, the Company accounts for this scheme as a defined contribution scheme as it does not separately identify its share of the scheme assets and liabilities. Any payments to other group pension schemes are made on a defined contribution basis.

Schlumberger plc, the intermediate parent, is the designated employer and accounts for the Group scheme as a defined benefits scheme as the scheme cannot identify shares of individual companies in the scheme assets and liabilities.

WesternGeco Limited

Notes to the financial statements For the year ended 31 December 2019

3 Accounting policies (continued)

Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' equity. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' equity.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Provisions are made on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither.

Employee share schemes

The Company participates in a number of the Schlumberger Limited group's employee share schemes under which they make equity-settled share based payments in Schlumberger Limited shares to certain employees. These are detailed in the annual report of Schlumberger Limited.

Equity settled share based payments are measured at fair value at the date of grant (excluding the effect of non-market based vesting conditions). The fair value determined using the Black Scholes Method at the grant date is expensed on a straight line basis together with the corresponding increase in equity over the vesting period, based on the Company's estimate of the number of shares that will vest.

Research and development

Research and development expenditure is included in cost of sales and is expensed in the year in which it is incurred.

Leases

Where the Company is a lessee under finance leases (including hire purchase contracts), the leased assets are capitalised and included in tangible fixed assets and the corresponding liability to the lessor is included in creditors. Finance charges payable are recognised over the periods of the leases, based on the interest rates implicit in the leases.

All other leases are classified as operating leases. Rentals payable and receivable under operating leases are accounted for on a straight line basis over the period of the lease and are included in the profit and loss account.

Foreign currencies

The company's functional and presentation currency is the pound sterling.

Trading transactions in foreign currencies are translated into sterling at the exchange rate 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.

WesternGeco Limited

Notes to the financial statements For the year ended 31 December 2019

3 Accounting policies (continued)

Tangible assets

Tangible assets are stated at cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided to write off the cost of assets less their residual values on a straight-line basis over the expected useful lives of each category of tangible assets as follows:

Leasehold building improvements	50 years or the life of the lease if shorter
Plant and machinery and motor vehicles	3-5 years
Fixtures, fittings, tools and equipment	2-10 years

Impairment review

The carrying values of assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in the value of assets below carrying value is charged to the profit and loss account.

Any impairment is determined by comparing the carrying value of the asset with its recoverable amount, the recoverable amount is the higher of net realisable value or value in use. Value in use is calculated using the present value of future cash flows discounted at an appropriate rate.

Intangible assets - Multiclient seismic data

Costs for individual surveys are captured and capitalised as part of the total multiclient data library. At the point of completion of data processing, the individual surveys commence amortisation over a maximum period of 4 years, depending on client demand for the data.

Costs associated with obtaining multiclient seismic data are charged to the profit and loss account based on the percentage of the total costs to the estimated total turnover that the Company expects to receive from the sale of such data.

Under no circumstances will an individual survey carry a net book amount greater than a 4 year, straight-line amortised value.

The carrying value of surveys is reviewed for impairment on a survey by survey basis annually as well as when an event or change in circumstance indicates an impairment may have occurred. Adjustments to the carrying value are recorded when it is determined that estimated future turnover would not be sufficient to recover the carrying value of the surveys.

WesternGeco Limited

Notes to the financial statements For the year ended 31 December 2019

3 Accounting policies (continued)

Financial assets and liabilities

The classification of financial assets and liabilities depends on the purpose for which the financial assets were acquired or the financial liabilities were incurred. Management determines the classification of its financial assets and liabilities at initial recognition. The Company classifies its financial assets in the following categories (a) loans and receivables and (b) derivatives, and its financial liabilities in the following categories (a) other financial liabilities and (b) derivatives.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

The Company's loans and receivables mainly comprise basic financial assets including debtors (including amounts owed by Schlumberger Limited group companies).

Loans and receivables are recognised initially at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial liabilities

The Company's other financial liabilities mainly comprise basic financial liabilities including creditors (including amounts owed to Schlumberger Limited group companies).

Other financial liabilities are recognised initially at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk. The Company does not hold or issue derivative financial instruments for financial trading purposes.

Forward exchange contracts are revalued to balance sheet rates with net unrealised gains and losses recorded in the profit and loss account.

Fair value estimation

The fair value of financial instruments is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties. Where available, market values have been used to determine fair values. The carrying values less impairment provision of intercompany receivables and payables approximate their fair values.

Cash and cash equivalents

Cash and cash equivalents includes current bank account balances, cash held on overnight deposit or cash in hand and other short term investments in market with maturities within 12 months.

WesternGeco Limited

Notes to the financial statements For the year ended 31 December 2019

3 Accounting policies (continued)

Provisions

Provision is made for property dilapidation costs on individual leases based on the expected costs of returning leased properties to the specifications set out in the original lease agreement. Provisions are made on onerous contracts except future operating losses. Provisions are not discounted for any timing effect on the value of money unless the effect is material.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Exceptional items

The company presents as exceptional items those material items impacting the profit and loss account which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

4 Accounting judgements and estimation

Critical accounting judgements, estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year. The other estimates include:

(i) Impairment of debtors

The Company makes an estimate of recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the credit rating of the debtors, the ageing profile of debtors and historical experience.

(ii) Multi-employer pension plan

The Company is a member of a multi-employer plan. Where it is not possible for the company to obtain sufficient information to enable it to account for the plan as a defined benefit plan, it accounts for the plan as a defined contribution plan.

(iii) Share based payments

Schlumberger Limited, the ultimate parent of its immediate holding company Schlumberger Oilfield UK plc, operates employee share schemes including the Share Option Scheme, the Restricted share option scheme and the Discounted Stock Purchase Plan (DSPP). The Company recognizes share based payments expenses according to the Black Scholes method.

(iv) Impairment of multiclient assets

The company makes judgments about whether multiclient assets should be subjected to an impairment review and uses estimates and assumptions in performing the impairment review concerning the recoverable value of multiclient assets. For purposes of performing the annual impairment test of the multiclient assets, future cash flows from trading forecasts over five years. Adjustment to carrying amount of multiclient assets recorded when it is determined that estimated future revenues, which involve significant judgement on the part of Company, would not be sufficient to recover the carrying amount of multiclient assets.

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Notes to the financial statements For the year ended 31 December 2019

5 Turnover

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

	2019 £'000	2018 £'000
United Kingdom	11,625	7,625
Rest of Europe	7,230	13,582
Asia	4,474	3,092
Africa and the Middle East	2,700	10,482
Australasia	348	1,922
Americas	10,619	6,948
Total turnover	36,996	43,651

All turnover relates to acquisition and processing of seismic data to third party clients and the provision of administrative support services to fellow Schlumberger UK Limited group companies.

6 Staff number and costs

The average monthly number of persons employed by the Company during the year including five directors (2018: five directors) was as follows:

By activity:	2019 Number	2018 Number
Direct labour	135	155
Selling, marketing, distribution and indirect production	18	23
Research and development	23	25
Administration	23	26
Total staff numbers	199	229

The aggregate payroll costs were as follows:

	2019 £'000	2018 £'000
Wages and salaries	16,759	19,905
Social security costs	1,679	2,247
Share based payments expense (note 11)	1,341	1,739
Other pension costs (note 21)	2,351	3,125
Exceptional redundancy costs (cost of sales)	127	607
Total staff costs	22,257	27,623

WesternGeco Limited

Notes to the financial statements For the year ended 31 December 2019

7 Other operating income/(expense)

	2019 £'000	2018 £'000
Profit/(loss) on disposal of fixed assets (note 14)	125	(143)
	125	(143)

8 Operating loss

Operating loss is stated after charging the following items:

	2019 £'000	2018 £'000
Vessel charter fees	-	59
Depreciation of tangible assets (note 14):		
Owned	452	602
Amortisation of multiclient seismic data (note 15)	1,268	1,663
Impairment of multiclient seismic data (note 15)	707	1,151
Auditors' remuneration		
Audit fees payable to company's auditor	54	36
Taxation services	21	-
Operating lease rentals		
Land and buildings	1,076	1,207
Other	176	140
Research and development retention costs	325	289
Loss on foreign currency exchange	569	114
Derivative loss	9	410
Loss on disposal of fixed assets (note 14)	125	143

9 Interest receivable and similar income

	2019 £'000	2018 £'000
Interest on amounts owed by group undertakings	1,669	1,342
Total interest receivable	1,669	1,342

10 Interest payable and similar expenses

	2019 £'000	2018 £'000
Interest due on amounts owed to group undertakings	524	409
Total interest payable	524	409

WesternGeco Limited

Notes to the financial statements For the year ended 31 December 2019

11 Share based payments reserve

Schlumberger Limited, the ultimate parent of WesternGeco Limited, operates employee share schemes including the Share Option Scheme, the Restricted share option scheme and the Discounted Stock Purchase Plan (DSPP). There were no other share-based payment transactions during the year.

Share Options

Key employees are granted share options under Schlumberger share option plans. For all share options granted, the exercise price of each option equals the average of the high and low sales prices of Schlumberger shares on the date of the grant. The options term is usually ten years and options generally vest in increments over four or five years. Exercise is subject to continuous employment. No performance conditions were included in fair value calculations. Awards granted do not have a cap on any potential gain and generally vest in increments over seven years.

The fair value of the options granted was estimated on the date of grant using the Black-Scholes model with the following assumptions and resulting weighted average fair value per share - volatility has been determined by reference to Schlumberger Limited's weekly historical volatility and is calculated over a term commensurate with the expected term:

	2019	2018	2017
Dividend yield	4.8%	2.6%	2.3%
Expected volatility	25%	26%	27%
Risk free interest rates	2.7%	2.6%	2.4%
Expected option life (in years)	7	7	7
Weighted average fair value per share	£4.75	£12.97	£16.24

Employees of WesternGeco Limited were granted share options of 13,480, 12,770 and 34,900 shares of Schlumberger Limited stock in 2019, 2018 and 2017 respectively.

Restricted Stock

Schlumberger Limited grants performance share units to certain employees of WesternGeco Limited. The number of shares earned is determined at the end of each performance period, which is generally three years, based on Schlumberger's achievement of certain predefined targets as defined in the underlying performance share unit agreement. In the event Schlumberger exceeds the predefined target, shares for up to maximum of 250% of the target award may be granted. In the event Schlumberger falls below the predefined target, a reduced number of shares may be granted. If Schlumberger falls below the threshold award performance level, no shares will be granted.

All other restricted stock awards generally vest at the end of three years.

Restricted stock awards do not pay dividends or have voting rights prior to vesting. Accordingly, the fair value of a restricted stock award is the quoted market price of Schlumberger Limited's stock on the date of grant less the present value of the expected dividends not received prior to vesting.

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Notes to the financial statements For the year ended 31 December 2019

11 Share based payments reserve (continued)

Restricted Stock (continued)

During 2019, 2018 and 2017, Schlumberger Limited granted the following shares of restricted stock to WesternGeco Limited employees:

	2019	2018	2017
Shares	17,490	12,900	10,571
Weighted-average fair market value per share	£39.14	£54.69	£62.00

DSPP

Under the terms of the DSPP, employees can choose to have up to 10% of their annual earnings withheld to purchase Schlumberger Limited common stock (listed on the NYSE). The purchase price of the stock is 92.5% of the lower of the stock price at the beginning or end of the plan period at six-month intervals. Schlumberger Limited sold 14,905, 15,096 and 14,406 shares to WesternGeco Limited employees in 2019, 2018 and 2017 respectively

The fair value of the employees' purchase rights under the DSPP was estimated using the Black-Scholes model with the following assumptions and resulting weighted average fair value per share:

	2019	2018	2017
Dividend yield	5.3%	2.9%	2.7%
Expected volatility	30%	22%	25%
Risk free interest rates	2.3%	1.6%	0.5%
Weighted average fair value per share	£4.57	£6.73	£7.63

Total share based payment expense recognised to WesternGeco Limited:

	2019 £'000	2018 £'000	2017 £'000
Share Options	684	1,000	1,248
Restricted Stock	589	637	713
DSPP	68	102	108
Total share based payments	1,341	1,739	2,069

At December 31, 2019, there was £1,255,000 (2018: £1,177,000) of total unrecognised compensation cost related to non invested stock-based compensation arrangements, of which £769,000 is expected to be recognised in 2020, £413,000 in 2021, £62,000 in 2022 and £11,000 in 2023.

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Notes to the financial statements For the year ended 31 December 2019

12 Directors' emoluments

Of the directors in office during the year, three were remunerated by the Company (2018: five). During the financial year, only two directors were members of the Schlumberger UK Pension Scheme (2018: two).

None of the directors exercised share options granted by the Company during the year (2018: one).

The total emoluments of the directors, excluding pension contributions and loss of office, amounted to £428,000 (2018: £1,022,000). The emoluments of the highest paid director, excluding pension contributions and loss of office, amounted to £257,000 (2018: £324,000).

The pension contributions for the directors to the defined contribution scheme amounted to £5,460 (2018: £11,000). The pension contributions for the highest paid director to the defined contribution scheme amounted to £nil (2018: £nil). The annual pension accrued at year-end under the defined benefit scheme, of the highest paid director, amounted to £nil (2018: £nil).

The Company does not have any other key management personnel other than directors.

13 Tax on loss

The taxation credit based on the loss for the year is analysed as follows:

(a) Analysis of tax credit in the year

	2019 £'000	2018 £'000
Current tax		
UK corporation tax credit on loss of the current year	180	359
	180	359
Adjustments in respect of prior periods	259	297
Total current tax credit	439	656
Deferred tax		
Reversal of timing difference	(22)	(135)
	(22)	(135)
Adjustments in respect of prior periods	199	-
Total deferred tax (note 13c)	177	(135)
Tax credit on loss	616	521

Adjustments in respect of prior periods reflect the differences between initial accounting estimates and tax returns submitted to tax authorities, in particular due to not claiming capital allowances in 2018 tax return.

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Notes to the financial statements For the year ended 31 December 2019

13 Tax on loss (continued)

(b) Reconciliation of tax credit

The current year effective tax rate is lower than (2018: lower than) the effective standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are explained below:

	2019 £'000	2018 £'000
Loss before taxation	(1,370)	(2,601)
Tax on loss before taxation at 19.00% (2018: 19.00%)	260	494
Effects of:		
Expenses not deductible/income not taxable	(102)	(331)
Difference in tax rates	-	61
Adjustments in respect of prior periods (a)	458	297
Total tax credit for the year	616	521

(a) Reflects the differences between initial accounting estimates and tax returns submitted to tax authorities.

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). This new law was substantively enacted on 17 March 2020. As the proposal to keep the rate at 19% had not been substantively enacted as at balance sheet date, its effects are not included in the financial statements.

(c) Deferred tax

	2019 £'000	2018 £'000
Capital allowances less than depreciation (note 16)	979	855
Short term timing differences (note 16)	1,647	1,594
	2,626	2,449
The movement in the deferred tax asset is as follows:		
	2019 £'000	2018 £'000
At 1 January	2,449	2,584
Adjustments in respect of prior periods	199	-
Current year charge	(22)	(135)
At 31 December (note 16)	2,626	2,449

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Notes to the financial statements For the year ended 31 December 2019

14 Tangible assets

	Leasehold building improvements £'000	Plant and machinery and motor vehicles £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost				
At 1 January 2019	11,819	8,178	583	20,580
Additions	-	49	-	49
Disposals	-	76	-	76
Reclassifications	146	-	(146)	-
At 31 December 2019	11,965	8,303	437	20,705
Accumulated depreciation				
At 1 January 2019	11,819	7,328	554	19,701
Charge for the year	-	445	7	452
Disposals	-	(49)	-	(49)
Reclassifications	146	-	(146)	-
At 31 December 2019	11,965	7,724	415	20,104
Net book amount				
At 31 December 2018	-	850	29	879
At 31 December 2019	-	579	22	601

There were no tangible assets pledged as a security for the Company's liabilities (2018: £nil).

Included within fixed asset additions are assets under construction of £nil (2018: £nil) on which no depreciation was charged.

15 Multiclient seismic data

The movement in the propriety seismic data costs is as follows:	2019	2018
	£'000	£'000
At 1 January	3,698	6,512
Additions	300	-
Amortisation for the year	(1,268)	(1,663)
Impairment for the year	(707)	(1,151)
At 31 December	2,023	3,698

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Notes to the financial statements For the year ended 31 December 2019

16 Debtors

	2019 £'000	2018 £'000
Trade debtors	1,936	3,315
Amounts owed by group undertakings	165,247	161,304
Other debtors	166	1,266
Corporate tax receivables	1,826	1,477
Prepayments and accrued income	1,125	127
Total debtors – amounts falling due within one year	170,300	167,489
Deferred taxation (<i>note 13</i>)	2,626	2,449
Total debtors – amounts falling due after more than one year	2,626	2,449
Total debtors	172,926	169,938

Amount owed by group undertakings are balance with Schlumberger group companies in the UK and related to cash pooling. These balances are unsecured, repayable on demand and accrue interest at a rate of GBP Libor plus 15 basis points.

17 Creditors - amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	430	1,886
Amounts owed to group undertakings	31,855	29,737
Other creditors	12	108
Taxation and social security	519	599
Accruals and deferred income	3,931	3,968
Total creditors - amounts falling due within one year	36,747	36,298

Amount owed by group undertakings are balance with Schlumberger group companies in the UK and related to cash pooling. These balances are unsecured, repayable on demand and accrue interest at a rate of GBP Libor plus 15 basis points.

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Notes to the financial statements For the year ended 31 December 2019

18 Called up share capital

	£'000	Number
Authorised ordinary shares of £1 each		
Balance at 1 January and 31 December 2019	100,000	100,000,000
Allotted and fully paid ordinary shares of £1 each		
Balance at 1 January and 31 December 2019	77,046	77,046,000

Share premium account

The balance on the share premium account represents the amounts received in excess of the nominal value of the ordinary shares.

Other reserves

The balance held on this reserve is other distributable reserve of the company, which is used for its share based payments.

19 Leasing commitments

The company's future minimum annual operating lease payments under non-cancellable operating leases are as follows:

	2019 £'000	2018 £'000
Operating leases which expire:		
Within one year	1,239	1,204
Between two and five years	1,115	2,312
In more than five years	-	-
Total commitments	2,354	3,516

20 Contingent liabilities

Contingent liabilities not provided for in these financial statements relate to the following:

	2019 £'000	2018 £'000
Bank guarantees and performance bonds	34	34
Value added tax / Duty deferment	800	800
Total contingent liabilities	834	834

The company has issued performance bonds under which amounts outstanding at 31 December 2019 were £34,000 (2018: £34,000) in the normal course of business.

The company has issued a guarantee in favour of HM Revenue and Customs for which amount outstanding at 31 December 2019 was £800,000 (2018: £800,000). No material losses are likely to arise from this guarantee.

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Notes to the financial statements For the year ended 31 December 2019

21 Pension costs

The Company participates in the Schlumberger UK Pension Scheme, providing retirement benefits on both a defined benefit and a defined contribution basis. Any payments to other group pension schemes are made on a defined contribution basis. Pension contributions during the year for all schemes were £2,351,000 (2018: £3,125,000). At the end of the year there were no contributions prepaid or outstanding.

In the Final Salary Benefit (FSB) section, members accrue both types of benefits while members in the Personal Money Fund (PMF) section accrue only defined contribution benefits. The FSB section has been closed since April 1999 and new members are admitted to the PMF section.

Schlumberger plc, is the designated principal employer and accounts for the Group scheme as a defined benefits scheme as the scheme cannot identify the share of individual companies in the scheme assets and liabilities.

A qualified actuary determines the contributions on the basis of valuations using the projected unit method. The Company did not make any deficit pension payments to the FSB pension fund during the year (2018: nil). Effective May 2017, the immediate parent company of the Company created a Contingent Asset Fund (CAF) in order for it to be able to perform its obligations in respect of the technical provisions deficit of the UK Pension Scheme. At 31 December 2019 the value of the CAF was £50,854,000 (2018: £120,667,000).

The Schlumberger UK Pension Scheme had a surplus of £134,400,000 at the balance sheet date (2018: £100,700,000 surplus).

22 Controlling parties

Schlumberger Oilfield UK Plc, a company registered in England, is the immediate parent company.

Schlumberger Limited, a company incorporated in Curacao, a country within the Kingdom of the Netherlands, is the parent undertaking of the smallest and the largest group of undertakings of which WesternGeco Limited is a member and for which group financial statements are drawn up. The directors consider Schlumberger Limited to be the ultimate parent company and controlling party.

Copies of the financial statements of Schlumberger Limited can be obtained from 17th Floor, 5599 San Felipe, Houston, Texas, 77056, USA or on the Group website at www.slb.com.

WesternGeco Limited

Notes to the financial statements For the year ended 31 December 2019

23 Events after the end of reporting period

The COVID-19 pandemic has significantly reduced demand for the Limited's group's services, and has had, and may continue to have, a material adverse impact on the Schlumberger Limited's group's financial condition, results of operations and cash flows.

The effects of the COVID-19 (coronavirus) pandemic, including actions taken by businesses and governments, have resulted in a significant and swift reduction in activity. These effects have adversely affected the demand for oil and natural gas, as well as for the Schlumberger Limited's group's services and products. The collapse in the demand for oil caused by this unprecedented global health and economic crisis, coupled with oil oversupply, has had, and is reasonably likely to continue to have, a material adverse impact on the demand for the Schlumberger Limited's group's services and products. The decline in the Schlumberger Limited group's customers' demand for the Schlumberger Limited group's services and products has had, and is likely to continue to have, a material adverse impact on the Schlumberger Limited group's financial condition, results of operations and cash flows.

While the full impact of the COVID-19 outbreak is not yet known, the Schlumberger Limited group and the Company's management is closely monitoring the effects of the pandemic on commodity demands and on the Schlumberger Limited group's customers, as well as on the Schlumberger Limited group's operations and employees. These effects have included, and may continue to include, adverse revenue and net income effects; disruptions to the Schlumberger Limited group's operations; customer shutdowns of oil and gas exploration and production; employee impacts from illness, school closures and other community response measures; and temporary closures of the Schlumberger Limited group's facilities or the facilities of the Schlumberger Limited group's customers and suppliers.

The extent to which the Schlumberger Limited group's operating and financial results are affected by COVID-19 will depend on various factors and consequences beyond the Schlumberger Limited group's control, such as the duration and scope of the pandemic; additional actions by businesses and governments in response to the pandemic; and the speed and effectiveness of responses to combat the virus. COVID-19, and the volatile economic conditions stemming from the pandemic, could also aggravate the other risk factors that we identify in the Directors' Report. COVID-19 may also materially adversely affect the Schlumberger Limited group's operating and financial results in a manner that is not currently known to the management of the Schlumberger Limited group and the Company that is not currently considered to present significant risks to the Schlumberger Limited group's operations.