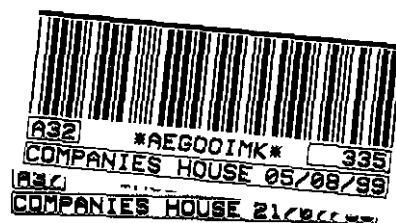


Company Registration No. 01444885 (England and Wales)

ENTEC ENERGY CONSULTANTS LIMITED

DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 JANUARY 1999



ENTEC ENERGY CONSULTANTS LIMITED

COMPANY INFORMATION

Director	G L Hills-Jones
Secretary	G Sinclair
Company number	01444885
Registered office	NLA Tower, 15th Floor, 12-16 Addiscombe Road Croydon Surrey CR9 2DR
Auditors	Pumphrey Kennedy 15 The Green Richmond Surrey TW9 1PX
Business address	NLA Tower, 15th Floor, 12-16 Addiscombe Road Croydon Surrey CR9 2DR
Bankers	National Westminster Bank Plc 2a Charring Cross Road London WC2H 0PD

ENTEC ENERGY CONSULTANTS LIMITED

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ENTEC ENERGY CONSULTANTS LIMITED

DIRECTOR'S REPORT

FOR THE PERIOD ENDED 31 JANUARY 1999

The director presents his report and financial statements for the period ended 31 January 1999.

Principal activities and review of the business

The principal activity of the company continued to be the provision of high technology integrated consultancy services to oil companies, worldwide, for optimising the development of oil and gas reservoirs.

The progress of the company during the period accorded with expectations and the position of the company as at the period end was considered satisfactory.

Results and dividends

The results for the period are set out on page 4.

The director does not recommend payment of an ordinary dividend.

Post balance sheet events

The company ceased to trade on 31 January 1999, transferring its activities to EnTec Energy Consultants, a division of Baker Hughes (UK) Limited. The director has considered the Year 2000 problem but is of the opinion that its impact on the operating activities of the company will be minimal because of the above transfer of trade.

Director

The following director has held office since 1 January 1998:

G L Hills-Jones

Director's interests

The director's beneficial interest in the shares of the company was as stated below:

	Ordinary shares of £1 each	
	31 January 1999	1 January 1998
G L Hills-Jones	-	-

Charitable contributions

During the period the company made charitable donations of £649 (1997 : £-).

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Pumphrey Kennedy be reappointed as auditors of the company will be put to the Annual General Meeting.

ENTEC ENERGY CONSULTANTS LIMITED

**DIRECTOR'S REPORT
FOR THE PERIOD ENDED 31 JANUARY 1999**

Director's responsibilities

Company law requires the director to prepare financial statements for each financial year which 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 those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

By order of the board



G L Hills-Jones

Director

28 May 1999

ENTEC ENERGY CONSULTANTS LIMITED

AUDITORS' REPORT

TO THE SHAREHOLDERS OF ENTEC ENERGY CONSULTANTS LIMITED

We have audited the financial statements on pages 4 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of the director and auditors

As described on page 2 the company's director is responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

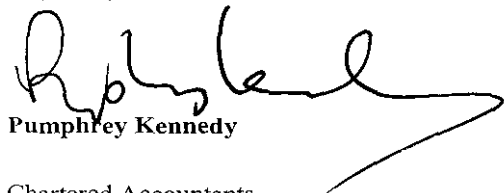
Basis of opinion

We conducted our audit in accordance with 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 director 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 January 1999 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Pumfrey Kennedy

Chartered Accountants
Registered Auditor

15 June 1999

15 The Green
Richmond
Surrey
TW9 1PX

ENTEC ENERGY CONSULTANTS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 JANUARY 1999**

		Period ended 31 January 1999 £	Year ended 31 December 1997 £
	Notes		
Turnover	2	1,755,781	1,301,797
Cost of sales		(757,181)	(568,169)
Gross profit		998,600	733,628
Administrative expenses		(595,076)	(393,287)
Operating profit	3	403,524	340,341
Other interest receivable and similar income	4	74,557	59,062
Interest payable and similar charges	5	(1,235)	(923)
Profit on ordinary activities before taxation		476,846	398,480
Tax on profit on ordinary activities	6	(161,182)	(135,000)
Profit on ordinary activities after taxation	12	315,664	263,480

The profit and loss account has been prepared on the basis that all operations are continuing operations.

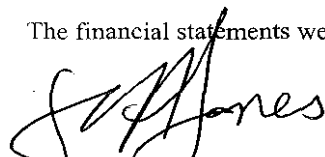
There are no recognised gains and losses other than those passing through the profit and loss account.

ENTEC ENERGY CONSULTANTS LIMITED

BALANCE SHEET
AS AT 31 JANUARY 1999

	Notes	1999 £	£	1997 £	£
Fixed assets					
Tangible assets	7		70,890		139,875
Current assets					
Debtors	8	2,230,749		960,590	
Cash at bank and in hand		174,324		739,401	
		<u>2,405,073</u>		<u>1,699,991</u>	
Creditors: amounts falling due within one year	9	<u>(543,353)</u>		<u>(222,920)</u>	
Net current assets			<u>1,861,720</u>		<u>1,477,071</u>
Total assets less current liabilities			<u><u>1,932,610</u></u>		<u><u>1,616,946</u></u>
Capital and reserves					
Called up share capital	11		100,000		100,000
Profit and loss account	12		1,832,610		1,516,946
Shareholders' funds - equity interests	13		<u><u>1,932,610</u></u>		<u><u>1,616,946</u></u>

The financial statements were approved by the Board on 28 May 1999



G L Hills-Jones
Director

ENTEC ENERGY CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 1999

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company is a wholly owned subsidiary undertaking of Baker Hughes Inc. and the cash flows of the company are included in the consolidated group cash flow statement of Baker Hughes Inc. Consequently the company is exempt under the terms of Financial Reporting Standard 1 (revised) from publishing a cash flow statement.

1.2 Compliance with accounting standards

The accounts have been prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents the value of billings net of VAT for services in the normal course of business.

Income on long term contracts is recognised according to the stage reached in the contract by reference to the value of work done. A prudent estimate of the profit attributable to work completed is recognised once the outcome of the contract can be assessed with reasonable certainty.

All known or anticipated losses are provided for in full as soon as they are foreseen.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Computer equipment	33% straight line
Fixtures and fittings	20% straight line
Furniture and office equipment	15% straight line

1.5 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.6 Pensions

The regular cost of providing retirement pensions and related benefits is charged to the profit and loss account over the employees' service lives on the basis of a constant percentage of earnings. Any difference between the charge to the profit and loss account and the contributions paid to the scheme is shown as an asset or liability in the balance sheet.

1.7 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the director, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.8 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

ENTEC ENERGY CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 1999

1.9 Comparatives

The company changed its accounting reference date from 31 December to 31 January during the period under review. The comparative figures represent the results for the twelve months ended 31 December 1997 whilst the current period figures represent those for the thirteen months ended 31 January 1999.

2 Turnover

In the opinion of the director it would be prejudicial to the interests of the company to disclose turnover by geographical analysis.

3 Operating profit	1999	1997
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	71,953	57,278
Operating lease rentals	87,897	89,790
Auditors' remuneration	4,500	4,500
	<u> </u>	<u> </u>
4 Other interest receivable and similar income	1999	1997
	£	£
Bank interest	74,557	28,847
Other interest	-	30,215
	<u> </u>	<u> </u>
	<u>74,557</u>	<u>59,062</u>
5 Interest payable and similar charges	1999	1997
	£	£
Bank charges and other interest	1,235	923
	<u> </u>	<u> </u>
6 Taxation	1999	1997
	£	£
U.K. current year taxation		
U.K. corporation tax at 31% (1997 - 31%)	159,422	135,000
Prior years		
U.K. corporation tax	1,760	-
	<u> </u>	<u> </u>
	<u>161,182</u>	<u>135,000</u>

ENTEC ENERGY CONSULTANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JANUARY 1999**

7 Tangible fixed assets

	Computer equipment	Fixtures and fittings	Furniture and office equipment	Total
	£	£	£	£
Cost				
At 1 January 1998	164,951	51,540	46,862	263,353
Additions	1,829	1,139	-	2,968
At 31 January 1999	166,780	52,679	46,862	266,321
Depreciation				
At 1 January 1998	68,026	8,590	46,862	123,478
Charge for the period	60,216	11,737	-	71,953
At 31 January 1999	128,242	20,327	46,862	195,431
Net book value				
At 31 January 1999	38,538	32,352	-	70,890
At 31 December 1997	96,925	42,950	-	139,875

8 Debtors

	1999 £	1997 £
Trade debtors	466,448	928,595
Amounts owed by parent and fellow subsidiary undertakings	1,750,446	11,426
Other debtors	237	175
Prepayments and accrued income	13,618	20,394
	2,230,749	960,590

9 Creditors: amounts falling due within one year

	1999 £	1997 £
Trade creditors	5,838	11,371
Amounts owed to parent and fellow subsidiary undertakings	157,713	23,889
Corporation tax	159,423	135,071
Other taxes and social security costs	14,461	37,697
Accruals and deferred income	205,918	14,892
	543,353	222,920

ENTEC ENERGY CONSULTANTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 JANUARY 1999

10 Pension costs

The company contributes towards a group defined benefit pension scheme providing benefits based on final pensionable salary and years of service. The scheme is funded by a separate trustee administered fund representing assets held separately from those of the company and being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 6 April 1997. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments, the rate of increase in salaries and pensions, the rate of increase in the lower earnings limit and the rate of dividend growth. It was assumed that the investment returns would be 9% per annum, salary increases would average 7% per annum, the increase in the lower earnings limit would be 3% per annum and the rate of dividend growth would be 4.5% per annum.

The pension charge for the year was £31,679 (1997 - £36,740).

The most recent actuarial valuation showed that the market value of the scheme's assets was £25,626,000. As at the valuation date, the value of the schemes assets was 136% of the amount of the schemes liabilities. The contributions of the employees will remain at 3.5% of pensionable salary.

11 Share capital	1999	1997
	£	£
Authorised		
100,000 Ordinary shares of £1 each	100,000	100,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid		
100,000 Ordinary shares of £1 each	100,000	100,000
	<u> </u>	<u> </u>

12 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 January 1998	1,516,946
Retained profit for the period	315,664
	<u> </u>
Balance at 31 January 1999	1,832,610
	<u> </u>

13 Reconciliation of movements in shareholders' funds	1999	1997
	£	£
Profit for the financial period	315,664	263,480
Opening shareholders' funds	1,616,946	1,353,466
	<u> </u>	<u> </u>
Closing shareholders' funds	1,932,610	1,616,946
	<u> </u>	<u> </u>

ENTEC ENERGY CONSULTANTS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 JANUARY 1999**

14 Financial commitments

At 31 January 1999 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	1999	1997
	£	£
Expiry date:		
Between two and five years	-	52,203

15 Employees

Number of employees

The average monthly number of employees (including directors) during the period was:

1999	1997
Number	Number
16	17

Employment costs

	£	£
Wages and salaries	700,216	475,734
Social security costs	59,987	39,755
Other pension costs	31,679	36,740
	<u>791,882</u>	<u>552,229</u>

16 Control

The immediate parent company is Western Atlas International Inc. and the ultimate parent company is Baker Hughes Inc., both of which are incorporated in the United States of America.

Baker Hughes Inc. prepares group financial statements and copies can be obtained from 3900 Essex Lane, Suite 1200, P O Box 4740, Houston, Texas 77210-4740.

17 Related party transactions

The company has taken advantage of the exemptions conferred by Financial Reporting Standard No 8 from the requirement to make disclosures concerning the transactions between the company and its ultimate parent undertaking.

This exemption has been claimed because the company's ultimate parent undertaking has prepared consolidated accounts for the year ended 31 December 1998. There were no material transactions between the company and other group undertakings during January 1999.